

***United States Court of Appeals
for the Second Circuit***



EXHIBITS

74-1581

8/12/74

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In The
United States Court of Appeals

For The Second Circuit

ROBERT R. FELTON and EDWARD J. EGAN,
Plaintiffs-Appellants,

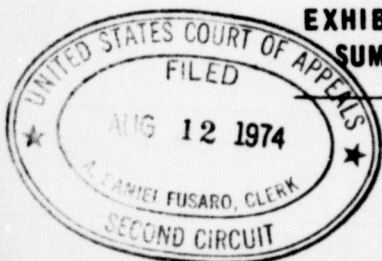
vs.

WALSTON AND CO., INC., JAMES NISSAN MARINE
MIDLAND BANKS, INC., MARINE MIDLAND BANK-
WESTERN, MARINE MIDLAND BANK-NEW YORK,
MARINE MIDLAND BANK-ROCHESTER, MARINE
MIDLAND BANK-CENTRAL, MARINE MIDLAND
BANK-SOUTHERN, MARINE MIDLAND BANK OF
SOUTHEASTERN NEW YORK, N.A., MARINE MIDLAND
BANK-NORTHERN, MARINE MIDLAND BANK-
EASTERN NATIONAL ASSOCIATION, MARINE
MIDLAND BANK-CHAUTAQUA, NATIONAL
ASSOCIATION, MARINE MIDLAND-TINKER NATIONAL
BANK, INC., DRYFUS-MARINE MIDLAND, INC., JOEL
BROWNSTEIN, 3 I CO./ INFORMATION INTERSCIENCE,
INC., GERALD L. BRODSKY, MAURICE BRODSKY,
ARTHUR W. ELIAS, MARVIN S. RIESENBACH, MARVIN
SCHILLER, IRVING H. SHER, STICHTING EXCERPTA
MEDICA (EXCERPTA MEDICA FOUNDATION),
MEDISCHE REFERANTAN, (EXCERPTA MEDICA) N.V.,
INFONET (EXCERPTA MEDICA-RESCONA) N.V.,
ELTRAC (INFONET) N.V., PETER WARREN,
MAIN LAFRENTZ AND CO., FRED VON EUGEN, S. KIM
KESSLER AND GERALDINE KESSLER,

Defendants-Appellees.

*On Appeal from the United States District Court for
the Southern District of New York.*

**EXHIBITS TO AFFIDAVITS IN SUPPORT OF MOTION FOR
SUMMARY JUDGMENT BY MAIN LAFRENTZ AND CO.**



ROBERT R. FELTON
Attorney for Plaintiffs-Appellants
42 Third Avenue
Mineola, New York 11501
(516) 746-5711

AGREEMENT

AGREEMENT made this 19th day of September, 1969 by and between 3i COMPANY - INFORMATION INTERSCIENCE INCORPORATED, a corporation organized under the laws of Pennsylvania ("3i") and MEDISCHE REFERATAN (Excerpta Medica) N.V., a corporation organized under the laws of the Netherlands, its subsidiary INFONET (Excerpta Medica-Rescona) N.V., a corporation organized under the laws of the Netherlands and ELTRAC (Infonet) N.V., a corporation organized under the laws of the Netherlands, said three Netherlands corporations being hereinafter together referred to as EM.

W I T N E S S E T H :

The Netherlands corporation which are parties hereto are controlled by Stichting Excerpta Medica (Excerpta Medica Foundation), a non-profit corporation organized under the laws of the Netherlands, and said corporations own and operate certain assets and properties which are the subject of this Agreement and are identified with and by the "Excerpta Medica" name. The parties desire to set forth in full terms and conditions of certain transactions to be consummated by them and certain relationships to be established between them.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and intending to be legally bound hereby, the parties agree as follows:

1. Purchase and Sale of Assets and Products.

Upon the terms and subject to the conditions set forth in this Agreement, on the Closing Date (as hereinafter defined EM shall transfer, assign, convey and deliver to a wholly owned subsidiary of 3i (hereinafter referred to as "Subsidiary") and Subsidiary shall purchase, acquire and accept from EM a magnetic tape copy of EM's Data Bank (as defined and described on Exhibit "A" hereto and hereinafter referred to as "Data Bank"), a magnetic tape copy of EM's Master List of Medical Indexing Terms (as defined and described on Exhibit "A" hereto and hereinafter referred to as "Master List"), a magnetic tape copy of EM's Computer Software used or developed in connection with the Data Bank (as defined and described in Exhibit "A" hereto and hereinafter referred to as "Computer Software"), including the MALICHECK program for controlling the Master List, and all other components of, or products of EM relating to, EM's biomedical information storage and retrieval system.

2. EM Services Constituting Integral Part of Purchase and Sale Transaction.

EM recognizes and agrees that it is essential

to the value to 3i and Subsidiary of the assets being purchased from EM hereunder that EM provide Subsidiary with the services hereinafter referred to during the term of this Agreement. EM hereby agrees that throughout the term of this Agreement, EM will provide to Subsidiary all services defined and described under the heading "Essential Services" on Exhibit "B" hereto. EM further agrees that it will not curtail, reduce or diminish its handling of biomedical literature for at least the term of this Agreement and represents that it intends to expand, refine and elaborate its handling thereof.

3. 3i's Exclusive Rights.

(a) 3i is aware that EM or subsidiaries or affiliates thereof have sold, or offered for sale, on an annual subscription fee basis, the Data Bank, Master List, Computer Software and related services, including all products and services listed on Exhibit "B" as Essential Services (all of the foregoing being hereinafter collectively referred to as "EM Products") to other persons. EM represents and warrants that except for the U.S. Food and Drug Administration there is at present no subscriber to any EM Products using such Products or services or products derived therefrom in the United States of America, and EM agrees that

from the date hereof it will not, during the term of this Agreement, sell, on a subscription basis or any other basis, nor render any services derived from, any EM Products or any portions thereof to any person for use in the United States of America. EM further represents, warrants and agrees that all present contracts prohibit, and all future contracts will contain express provisions prohibiting any subscriber to any EM Product from using, reselling or making available in the United States any EM Products or services or products derived therefrom, and that EM will use its best efforts to enforce such provisions, and will take prompt and appropriate action whenever it learns of the existence of a violation of such provisions. EM agrees that 3i shall be the sole owner and user of EM Products used in the United States of America and that 3i, through Subsidiary, shall be the exclusive offeror to United States customers, including government agencies, of services and products based upon EM Products.

(b) 3i shall have the right to use and market any and all products, materials and services obtained from EM in any manner it may deem appropriate in connection with its business activities, in precisely the form received from EM or modified, amplified, tailored or varied in any

respect that 3i may deem appropriate, subject to the limitations respecting the "Excerpta Medica" name set forth in paragraph 4 hereof. EM agrees to fully cooperate with 3i in its efforts to market a full range of services and products, other than the proscribed publications referred to in subparagraph (c) below, derived from EM Products. 3i agrees to include in its contracts with customers for products and services derived principally from EM Products express provisions prohibiting such customers from using or reselling such products and services outside of the United States, and prohibiting such customers from making such products and services available to others, and from reproducing more than 100 copies of written material furnished by 3i, even for internal use.

3i will use its best efforts to enforce such provisions and will take prompt and appropriate action whenever it learns of the existence of a violation of such provisions

(c) Notwithstanding the provisions of paragraphs (a) and (b) above 3i understands and agrees that EM shall be entitled to continue to sell and offer for sale in the United States subscriptions to EM Publications (as that term is hereinafter defined) now in existence or hereafter

developed, it being expressly agreed that EM Publications are excluded from the term EM Products as that term is used herein. 3i agrees that 3i and Subsidiary shall not sell or offer for sale any written materials which are EM Publications. The term "EM Publications" shall mean written materials derived principally from EM Products which are printed and are either sold on a subscription basis or involve the sale or distribution by the publisher of more than 100 copies.

4. 3i's Rights to the "Excerpta Medica" Name.

In connection with the promotion and marketing by 3i and Subsidiary of any services, products or materials derived from EM Products purchased by 3i hereunder, EM hereby grants to Subsidiary the exclusive right and license (subject to the right of EM to continue the use of said name in the United States in connection with EM Publications) to use and employ in the United States the name and trademark "Excerpta Medica", alone or along with other words. EM hereby expressly approves and agrees to the formation by 3i of a wholly-owned subsidiary or division with the name of "Excerpta Medica Information Systems (Inc.)", and further agrees to furnish

EM's prior written approval, use the aforesaid name with any of the words being in smaller type size than the words "Excerpta Medica", or promote or market, under either the aforesaid name or any name containing the words "Excerpta Medica", any product or service in which the substantive information (i.e., the citations, index or abstracts) has been modified, amplified, tailored or varied from that prepared by EM. Such approval shall not be unreasonably withheld, and a request therefor shall be acted upon within 10 days of receipt thereof by EM, in the absence of which approval will be assumed to have been given. 3i and Subsidiary shall cease to have any right to use the name "Excerpta Medica Information Systems (Inc.)" at such time as their rights to the "Excerpta Medica" name ceases and will take such steps as may be required to transfer said corporate name to EM.

5. Term of Agreement.

The term of this Agreement shall be the initial term hereof and any renewal term. The initial term of this Agreement shall be from the Closing Date hereunder until June 30, 1979. In addition, 3i shall have the right to renew this Agreement for an additional term of five years commencing July 1, 1979 and ending June 30, 1984, by delivering to EM written notice of its intention to do so no later than January 1, 1979. Notwithstanding the foregoing, 3i shall have the right to terminate this Agreement effective as of June 30,

1971 or any June 30 thereafter during the initial term of this Agreement by giving EM written notice of its intention to do so no later than the March 31 preceding the date upon which such termination is to become effective.

6. Purchase Price.

As the consideration to EM for the assets, products, services and related undertakings and obligations being transferred to, rendered to or running to 3i and Subsidiary hereunder:

(a) On the Closing Date, 3i shall deliver 46,666 shares of 3i's Common Stock, Class A, par value \$.10 per share ("3i Stock") issued as the Agent for EM (as designated in paragraph 23 hereof) shall specify in writing to 3i at least five days prior to the Closing Date. The shares of the 3i Stock to be delivered on the Closing Date are hereinafter referred to as the "Initial Shares".

(b) After the Closing Date, on September 30, December 31, March 31 and June 30 of each fiscal year of 3i during which this Agreement is in effect, commencing with the year beginning July 1, 1971, 3i shall pay to EM, by cash or certified check, the sum of \$50,000, comprising the \$200,000 annual installment payable by 3i for EM Products hereunder.

(c) After the Closing Date, 3i shall issue and deliver to EM additional shares of 3i stock upon the terms and

conditions and as provided in paragraph 7 hereof. Any and all additional shares of 3i stock which may be deliverable hereunder after the Closing are hereinafter referred to as the "Additional Shares".

(d) All 3i Stock to be delivered pursuant to this Agreement shall be duly authorized, and, when delivered, shall be validly issued and outstanding, and fully paid and non-assessable with no personal liability attaching to the ownership thereof.

7. Additional Shares to be Issued Based Upon
Net Income before Taxes of 3i.

(a) 3i agrees to deliver or cause Subsidiary to deliver Additional Shares, in accordance with the written specifications of the Agent for EM, as follows: After the end of each fiscal year of 3i during the term of this Agreement, commencing with the year beginning July 1, 1971, the consolidated net income before federal income taxes (hereinafter referred to as "pre-tax profit") of 3i and its subsidiaries for said year shall be determined by 3i's regularly retained independent certified public accountants in accordance with generally accepted accounting principles consistently applied. If 3i's pre-tax profit for any of said fiscal years exceeds an amount equal to (A) \$200,000, less (B) that portion of the quarterly cash payments made during said fiscal year (pursuant to paragraph 6(b) hereof) which was treated as an expense (rather than capitalized) in determining 3i's pre-tax profit for said year, then ten percent (10%) of

the amount of such excess shall be divided by the market value per share of 3i Stock (as defined in paragraph 8 hereof) on the date delivery is made of Additional Shares under this subparagraph. Within 120 days after the end of said fiscal year 3i shall deliver to EM the number of Additional Shares, if any, determined by the foregoing calculation. In the event that there should be any difference of opinion between the parties as to the number of shares deliverable hereunder then the number of shares as to which there is no dispute shall be delivered as aforesaid and any further number of shares with respect to which the method for settling disputes set forth in subparagraph (b) below has been properly instituted shall be delivered promptly upon resolution of such dispute.

(b) On or before the ninetieth day after each June 30th during the term of this Agreement, commencing with June 30, 1972, 3i shall furnish the agent for EM as designated pursuant to paragraph 23 hereof (hereinafter referred to as "Agent"), with the determination of the pre-tax profit of 3i for the year ending on said June 30th, determined in accordance with the foregoing. The determination of the accountants of 3i of the pre-tax profit of 3i shall be final and binding upon EM and 3i, unless within twenty (20) days after receipt of the notice of determination the Agent shall deliver to 3i a notice

of objection to the amount so determined, including a statement of the basis of such objection. Said notice of objection and statement shall also include a designation of an American national accounting firm as Agent's accountant for the purpose of resolving the differences stated in the notice of objection. If the Agent's objection is not accepted by 3i, the two accounting firms shall promptly meet and attempt to agree on the determination of net income, and upon reaching agreement shall submit their joint determination to 3i and Agent in writing, which determination will be final and binding upon all parties hereto. In the event the two accounting firms have not agreed and submitted a joint determination within thirty (30) days of the date of delivery by Agent of the notice of objection, they shall jointly designate and select a third American national accounting firm which shall promptly make a determination of the net income hereunder, which determination shall be final and binding upon all parties hereto. Notwithstanding a dispute as to the pre-tax profit of 3i, if any Additional Shares are deliverable to EM on the basis of the amount of pre-tax profit of 3i which is not in dispute, such Additional Shares shall be delivered to EM on the dates hereinabove provided. Any Additional Shares which

are deliverable to EM on the basis of pre-tax profit in dispute shall be delivered promptly after settlement of such dispute.

8. Determination of Market Value; Anti-Dilution; Fractional Shares.

(a) Market Value. The term "market value" as used throughout this Agreement with respect to 3i Stock shall mean the average of the daily closing prices for the ten consecutive trading days commencing twenty trading days before the date in question. The closing price for each day shall be the average of the high bid and low asked prices in the over-the-counter market, as shown by the "pink sheets" furnished by any New York Stock Exchange member firm selected from time to time by 3i for such purpose, or if the 3i Stock is listed on a national securities exchange, then the last reported sales price regular way on such day or in case no such reported sale takes place on such day, the average of the reported high bid and low asked prices regular way on such day on the principal national securities exchange upon which the 3i Stock is then listed.

(b) Anti-Dilution. In the event of any stock dividends, stock splits, stock distributions, share

reclassifications, recapitalizations or other similar type transactions in, of or affecting the 3i Stock as constituted on the date of this Agreement ("Basic 3i Stock") (exclusive of conversions of 3i Common Stock, Class B, into 3i Stock) occurring after the date hereof and prior to the issuance and delivery of all of the Basic 3i Stock deliverable and which might become deliverable under this Agreement, each share of Basic 3i Stock shall, upon each and every such capital change becoming effective, be changed and converted into and shall thereafter consist and be composed of the same number and/or kind of securities as it would have been changed and converted into and consist of if it had been delivered to EM prior to the occurrence of any such capital change; and whenever herein reference is made to Initial Shares or Additional Shares or 3i Stock, such reference shall be to shares of Basic 3i Stock as the same may, at the time of reference, have been so changed and/or converted.

(c) Fractional Shares. No fractional shares of 3i Stock shall be issued or delivered to EM under this Agreement. If the number of shares of 3i Stock deliverable at any time to EM pursuant to this Agreement shall include a fraction of a share, the number of shares so deliverable shall be rounded-off to the nearest whole number of shares and for such purpose 0.50 of a share shall be considered as nearer to the next greater whole number.

9. Representations, Warranties and Agreements of EM.

As material inducement to 3i to enter into this Agreement and to close hereunder, the corporations which are together referred to as EM (said corporations being herein referred to as "the constituent corporations") jointly and severally represent, warrant and agree as follows:

(a) Status. Each of the constituent corporations is a corporation duly organized, and validly existing under the laws of the Netherlands, has the power to own its properties and to carry on its business as presently conducted, holds all necessary licenses and certifications from all governmental and other regulatory agencies having jurisdiction as to the conduct of its business as now being conducted and has the power to enter into this Agreement and perform the transactions contemplated by this Agreement, without the consent of any other person or entity.

(b) Authority. The execution, delivery and performance of this Agreement by the constituent corporations has been duly authorized in accordance with the charter and by-laws of each of them and the governing law of the Netherlands, and constitutes the valid and binding obligation of each of the constituent corporations in accordance with its terms.

(c) Title to Property. The constituent corporations together own all of the properties and assets which are the subject of purchase and sale in this Agreement and their title thereto is good and marketable and free and clear of all mortgages, liens, charges, encumbrances and restrictions. The constituent corporations have the power to grant to 3i the use of the "Excerpta Medica" name as provided in this Agreement.

(d) Litigation. None of the constituent corporations is a party to or threatened with any suit, action, arbitration, administrative or other proceeding, nor is there any judgment, award or order outstanding against any of them which affects in any way the subject matter of this Agreement.

(e) Compliance with Law and Other Regulations. To the best of its knowledge each of the constituent corporations and its activities as presently conducted are in compliance with all requirements of law, and all requirements of all governmental bodies or agencies having jurisdiction over it, the conduct of its business, and the use of its properties and assets.

(f) Agreement not in Breach of Other Instruments. The execution and delivery of this Agreement, the consummation of the transaction provided for herein, and the fulfillment of the terms hereof, will not result in the breach of any of the terms and provisions of, or constitute a default under,

or conflict with, any agreement, indenture or other instrument to which any of the constituent corporations or Excerpta Medica Foundation is bound, the charter or by-laws of any of them, any judgment, decree, order, or award of any court, governmental body, or arbitrator, or any applicable law, rule or regulation.

(g) Inspection and Training. Prior to Closing 3i shall be given the opportunity to study, inspect and test the Data Bank, Master List and Computer Software, the updating procedures and the various other elements of EM's biomedical information storage and retrieval system. In this connection, EM will train and instruct 3i's personnel with regard to the system and its components sufficiently to enable such personnel to use, operate, understand and evaluate said system and its components.

10. Representations, Warranties and Agreements of 3i.

As material inducement to EM to enter into this Agreement and to close hereunder 3i represents, warrants and agrees as follows:

(a) Corporate Status and Authority of 3i. 3i is a corporation duly organized, validly existing and in good

standing under the laws of the State of Pennsylvania, is duly qualified to do business in and is in good standing in each jurisdiction where the conduct of its business or the ownership of its properties requires qualification, has the corporate power to own its properties and to carry on its business as presently conducted and holds all licenses, permits, certifications and authorizations required to conduct its business as now being conducted.

(b) Capital Structure of 3i. The authorized capital stock of 3i consists of 3,000,000 shares of Common Stock, Class A, of the par value of Ten Cents (\$.10) per share, and 300,000 shares of Common Stock, Class B, of the par value of Ten Cents (\$.10) per share, of which 1,363,627 shares of Common Stock, Class A and 154,475 shares of Common Stock, Class B are validly issued and outstanding as of August 31, 1969. There are no outstanding options, warrants or other rights to purchase or receive any stock of 3i except options to purchase not more than 75,000 shares under 3i's Qualified Stock Option Plan, warrants to purchase 30,000 shares of Common Stock, Class A, and rights to receive not more than 100,000 shares based on future earnings arising out of arms-length acquisition transactions.

(c) Corporate Authorizations. The execution, delivery and performance of this Agreement by 3i has been duly authorized by the Board of Directors of 3i and constitutes the valid and binding obligation of 3i in accordance with its terms.

(d) Financial Statements of 3i. 3i shall deliver to EM prior to Closing a copy of its consolidated Balance Sheet at June 30, 1969 and Consolidated Statement Income for the year ended June 30, 1969, certified by 3i's independent certified public accountants; there has been no material adverse change in 3i's financial condition since June 30, 1969.

(e) Litigation. To the best of 3i's knowledge 3i is not a party to or threatened with any suit, action, arbitration, administrative or other proceeding, except the litigation described on Exhibit "D" hereto. There is no judgment, award or order outstanding against 3i.

(f) Compliance with Law and Other Regulations. To the best of 3i's knowledge, 3i and each subsidiary of 3i and its activities as presently conducted are in compliance with all requirements of law, federal, state and local, and all requirements of all governmental bodies or agencies having jurisdiction over it, the conduct of its business and the use of its properties and assets.

(g) Agreement not in Breach of Other Instruments. The execution and delivery of this Agreement, the consummation of the transactions provided for herein, and the fulfillment of the terms hereof, will not result in the breach of any of the terms and provisions of, or constitute a default under, or conflict with, any agreement, indenture or other instrument to which 3i is bound, the Articles of Incorporation or By-Laws of 3i, any judgment, decree, order, or award of any court, governmental body, or arbitrator, or any applicable law, rule or regulation.

11. Continuation and Survival of Representations and Warranties.

All representations and warranties made in this Agreement shall continue to be true and correct at and as of the Closing Date and at all times between the signing of this Agreement and the Closing Date, as if made at each of such times, and shall survive the Closing Date and the consummation of the transactions provided for in this Agreement.

12. Conditions Precedent to Obligation of 3i to Close.

The following shall be conditions precedent to the obligation of 3i to close hereunder, any of which may be waived by 3i:

(a) Each of the representations and warranties of EM and the signatories contained in this Agreement is now, and at all times after the date of this Agreement to and including the time of Closing shall be, true and correct.

(b) Each of the agreements, covenants and undertakings of EM contained in this Agreement, except for those calling for performance after Closing, will have been fully performed and complied with at or before Closing.

(c) No litigation, governmental action or other proceeding shall be threatened in good faith or commenced against EM affecting the subject matter of this Agreement.

(d) Netherlands counsel satisfactory to 3i shall have delivered to 3i his opinion confirming the matters covered by subparagraphs (a), (b), (c), (d) and (f) of paragraph 9 hereof, it being acceptable for the opinion respecting the matters covered by said subparagraphs (c) and (d) to be limited to counsel's knowledge, and stating that the indemnification agreement from Excerpta Medica Foundation to 3i bearing even date herewith has been duly authorized, is within the power and authority of said Foundation and is binding upon

and enforceable against said Foundation in accordance with its terms.

13. Conditions Precedent to Obligations of EM to Close.

The following shall be conditions precedent to the obligation of EM to close hereunder, any of which may be waived by EM:

(a) Each of the representations and warranties of 3i contained in this Agreement is now, and at all times after the date of this Agreement to and including the time of Closing shall be, true and correct, except with respect to additional issuances of Common Stock, Class A since the date of this Agreement pursuant to exercises of presently outstanding options and warrants or other issuances of such stock for consideration which 3i's Board of Directors has in good faith determined to be adequate and appropriate.

(b) Each of the agreements, covenants and undertakings of 3i and Subsidiary contained in this Agreement, except for those calling for performance after Closing, will have been fully performed and complied with at or before Closing.

14. Closing.

(a) Determination of Closing Date. The Closing of the transactions provided for in this Agreement shall take place at the offices of EM in Amsterdam, Netherlands at such time as the parties shall agree upon on such date (the "Closing Date"), not later than October 31, 1969, as 3i and Agent shall agree upon in writing.

(b) Deliveries by EM at Closing. At Closing, EM will deliver or cause to be delivered to Subsidiary the following:

(i) All magnetic tapes and other information necessary for EM to comply with the provisions of paragraph 1 hereof, as delineated in Exhibit "A" hereto.

(ii) Such instrument as 3i may reasonably request reaffirming the obligations and commitments of EM to render services to 3i on an ongoing basis, as set forth herein.

(iii) Such instrument as 3i may reasonably request in order to effectuate the provisions of paragraph 4 hereof.

(iv) The certificates of the chief executives of the constituent corporations, confirming the truth and

correctness of all of the representations and warranties of the constituent corporations contained herein as of the Closing Date and as of all times between the date hereof and the Closing Date.

(v) The Certificates of the secretaries of the constituent corporations, that all necessary action by the constituent corporations has been taken to authorize or ratify the making of this Agreement by the constituent corporations and to authorize the consummation of the transactions provided for herein.

(vi) The opinion of counsel previously referred to.

(c) Deliveries by 3i at Closing. At the Closing, 3i will deliver or cause to be delivered to EM the following:

(i) Stock certificates for 46,666 shares of validly issued, fully paid and non-assessable 3i Stock payable to and registered in the names specified by the Agent.

(ii) The Certificate of the President of 3i confirming the truth and correctness of all of the representations and warranties of 3i contained herein as

of the Closing Date and as of all times between the date hereof and the Closing Date.

(iii) The Certificate of the Secretary of 3i that the necessary corporate action by 3i has been taken to authorize or ratify the making of this Agreement by 3i and to authorize the consummation of the transactions provided for herein.

15. Acquisition of 3i Stock for Investment.

EM represents to 3i that it will be acquiring all 3i Stock to be delivered to it pursuant to this Agreement (both the Initial Shares and Additional Shares) for its own account for investment and not with a view to the distribution or resale thereof. By execution of this Agreement, EM agrees that it will make no transfer or other disposition of any 3i Stock issued hereunder until it has delivered to 3i an opinion of counsel satisfactory to 3i that such transfer is in compliance with the Securities Act of 1933 and the rules and regulations thereunder; and EM acknowledges that all certificates of 3i Stock issued pursuant to this Agreement will bear the following legend:

"The shares represented by this certificate may not be transferred except upon compliance with the provisions of paragraph 15 of an Agreement between the issuer and the registered owner dated September 19, 1969."

16. Registration Rights of EM.

(a) Provided that EM has not exercised any rights under paragraph 17 hereof, if at any time during the one year period commencing with the first anniversary of the Closing Date 3i shall propose to file a registration statement under the Securities Act of 1933, as amended ("the Act"), 3i will at least thirty days prior to such filing, give written notice to the Agent of its intention to so file, which notice shall offer to include in such registration statement no less than 20,000 of the Initial Shares then held by EM, provided that 3i receives within fifteen days after the giving of said notice a request from the Agent for the inclusion of said shares, which request shall set forth all relevant facts with respect to the proposed sale of such 3i Stock; and further provided that 3i shall not be required to register any 3i Stock pursuant to this paragraph if (i) 3i has filed a registration statement which became effective prior to the first

anniversary of the Closing Date in which registration statement 3i offered EM the opportunity to include no less than 20,000 of the Initial Shares then held by EM; or if (ii) Messrs. Wolf, Block, Schorr and Solis-Cohen, counsel for 3i, shall be of the opinion that 20,000 of the Initial Shares then held by EM can then be freely sold in regular brokerage transactions without registration thereof under the Act, or if (iii) 3i offers to purchase and pay for 20,000 of the Initial Shares then held by EM within 30 days of the date of EM's registration request hereunder, at a price equal to the market value of said shares (in accordance with paragraph 8 hereof) on the date of such request.

(b) 3i agrees that upon receipt of a request from EM during the one year period commencing with the second anniversary of the Closing Date, 3i will at its sole cost and expense, diligently prepare, file and use its best efforts to effect a registration statement under the Act which shall cover any of the Initial Shares then held by EM except for

those with respect to which EM shall have exercised its rights under paragraph 17 hereof; provided that EM's request shall set forth all relevant facts with respect to the proposed sale of such 3i Stock; and further provided that 3i shall not be required to register any 3i Stock pursuant to this paragraph if (i) 3i has filed a registration statement which became effective no less than eighteen months after the Closing Date in which registration statement 3i offered EM the opportunity to include the Initial Shares then held by EM; or if (ii) Messrs. Wolf, Block, Schorr and Solis-Cohen, counsel for 3i, shall be of the opinion that the Initial Shares then held by EM can then be freely sold in regular brokerage transactions without registration thereof under the Act; or if (iii) the total market value on the date of EM's request hereunder of the Initial Shares covered by such request which the opinion referred to in (ii) above does not state are freely saleable is less than \$500,000; or if (iv) 3i offers to purchase and pay for the Initial Shares then held by EM within 30 days of the date of EM's registration request hereunder, at a price equal to the market value of said shares (in accordance with paragraph 8 hereof) on the date of such request.

(c) 3i agrees that at any time after the earlier of (i) eight years from the Closing Date, or (ii) the termination of this Agreement by 3i, if EM shall so request, 3i will at its sole cost and expense, diligently prepare, file and use its best efforts to effect a registration statement

under the Act which shall cover any of the Additional Shares then held by EM; provided that EM's request shall set forth all relevant facts with respect to the proposed sale of such 3i Stock; and further provided that 3i shall not be required to register any 3i Stock pursuant to this paragraph if (i) 3i has filed a registration statement which became effective within one year of the date of such request in which registration statement 3i offered EM the opportunity to include all Additional Shares held by EM at the time of filing said registration statement; or (ii) if Messrs. Wolf, Block, Schorr and Solis-Cohen, counsel for 3i, shall be of the opinion that all Additional Shares then held by EM can then be freely sold in regular brokerage transactions without registration thereof under the Act; or (iii) if the total market value on the date of EM's request hereunder of those Additional Shares covered by such request which the opinion referred to in (ii) above does not state are freely saleable is less than \$500,000; or (iv) if 3i offers to purchase and pay for the shares referred to in (iii) above within thirty days of EM's registration request hereunder at a price equal to the market value of said shares (in accordance with paragraph 8 hereof) on the date of such request. Furthermore, in the event of such request 3i shall have the right to defer such filing until such filing may be made based solely upon financial statements for a full fiscal

year of 3i.

(d) If at any time during the period commencing November 1, 1972, 3i shall propose to file a registration statement under the Act 3i will at least thirty days prior to such filing, give written notice to the Agent of its intention to so file, which notice shall offer to include in such registration statement up to one-half of the Additional Shares received by EM hereunder since the effective date of the last registration statement filed by 3i in which EM was given the opportunity to participate, provided that 3i receives within fifteen days after the giving of the said notice a request by Agent for the inclusion of said shares, which request shall set forth all relevant facts with respect to the proposed sale of such 3i Stock and provided further that 3i shall not be required to offer to include any 3i Stock held by EM hereunder if (i) Messrs. Wolf, Block, Schorr and Solis-Cohen, counsel for 3i, shall be of the opinion that all Additional Shares then held by EM can then be freely sold in regular brokerage transactions without registration thereof under the Act; or (ii) if the market value of those Additional Shares held by EM on the date on which 3i would otherwise be requested to send notice hereunder which the opinion referred to in (i) above does not state are freely saleable is less than \$500,000.

(e) In the event EM requests registration

and a registration statement relating to its shares becomes effective 3i will agree to indemnify and hold harmless EM and its underwriter (if any) against any losses, claims, damages or liabilities, joint or several, to which EM and underwriter may become subject, under the Securities Act of 1933, as amended, or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in such registration statement, the prospectus, any preliminary prospectus or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; and will reimburse EM and its underwriter for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such action or claim; provided, however, that EM shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the registration statement or the prospectus or any preliminary prospectus or any amendment or supplement in reliance upon and in conformity with written information furnished to 3i by EM or its underwriter expressly for use

therein.

(f) In the event EM requests registration, and a registration statement relating to its shares becomes effective, EM and its underwriter (if any) will agree to indemnify and hold harmless 3i against any losses, claims, damages or liabilities to which 3i may become subject, under the Securities Act of 1933, as amended, or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the registration statement, the prospectus, any preliminary prospectus or any amendment or supplement thereto, or arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the registration statement or the prospectus or any preliminary prospectus or any amendment or supplement in reliance upon and in conformity with written information furnished to 3i by EM or its underwriter expressly for use therein; and to reimburse 3i for any legal or other expenses reasonably incurred by 3i in connection with investigating or defending any such action or claim.

17. EM's Rights to Require Repurchase of 3i Stock.

With respect to those Initial Shares as to which EM shall not have chosen to exercise registration rights under paragraph 16 hereof, EM shall have the right to require 3i to repurchase all or any portion of the 46,666 shares of 3i Stock from EM, at a price of \$15 per share, on the second anniversary of the Closing Date hereunder ("Repurchase Date"): Said right shall be exercised by EM giving written notice to 3i of its intention to require repurchase at least 105 days prior to the Repurchase Date. If EM shall exercise this right, 3i shall deliver to Agent on the Repurchase Date, cash or certified checks for an amount equal to \$15 times the number of shares of 3i Stock being repurchased, payable as designated by Agent to 3i in writing, in exchange for stock certificates duly endorsed by the registered owners thereof representing said repurchased shares of 3i Stock.

18. Additional Covenants and Agreements.

(a) 3i agrees that if at any time after the Closing Date hereunder 3i shall receive any lead or inquiry regarding products or services based upon EM Products from or relating to any potential customer whose business activities are not located in the United States 3i shall refer said potential customer to EM and provide EM with all information which 3i has regarding such potential customer. EM agrees that if at any time after the Closing Date hereunder EM shall receive any lead or inquiry regarding products or services based upon EM's Products from or relating to any potential

customer whose business activities are located in the United States EM shall refer said potential customer to 3i and provide 3i with all information which EM has regarding such potential customer. EM further agrees that promptly after Closing EM will forward to 3i all information it then has regarding customers (including the U.S. Food and Drug Administration) and potential customers located in the United States for services and products based upon EM's Products, and will use its best efforts to obtain the consent of the U.S. Food and Drug Administration to the substitution of Subsidiary for EM in the providing of such products and services.

(b) In rendering services or selling products based upon EM Products, 3i shall be responsible for providing to its customers all updating, improvements, training, instruction and the like which 3i offers to provide in connection with its marketing of such products and services, it not being intended that 3i have the right to refer or direct its customers to EM for such services or assistance without the consent of EM, so long as EM has been meeting its obligations to render the services listed as Essential Services in Exhibit "B" hereto.

(c) 3i acknowledges that it is not the agent of EM for any purpose whatsoever and agrees that it and Subsidiary are not authorized to and will not attempt to bind EM to any agreement, contract or commitment of any nature. 3i shall indemnify, protect and save EM harmless from any and all losses,

claims, demands, suits or actions of whatever nature occasioned by acts of 3i or Subsidiary or employees or agents of 3i or Subsidiary in violation of the provisions of this subparagraph.

(d) 3i acknowledges that the right and license to the "Excerpta Medica" name, granted to Subsidiary pursuant to the provisions of paragraph 4 hereof, including the name "Excerpta Medica Information Systems (Inc.)", shall not be transferred or assigned by Subsidiary to any other person or entity except 3i or another subsidiary or affiliate of 3i or Subsidiary, either together with or separate from a conveyance, transfer or assignment of any assets, products, services or rights acquired from EM hereunder.

(e) At any time after the date of this Agreement that there should be any significant change, improvement or development by EM in or relating to EM Products or EM's biomedical information storage and retrieval system, EM shall promptly notify Subsidiary thereof and thereafter shall provide Subsidiary with all information, data and instruction necessary to enable Subsidiary to implement or incorporate such change, improvement or development. EM shall at all times furnish and make available to Subsidiary all of its know-how relating to EM Products, and upon the reasonable request of Subsidiary shall consult with and advise Subsidiary respecting all aspects of the use, refinement and marketing of EM Products.

(f) In the event that EM shall develop any data bank, programs, master lists, thesauri, or any other

related products or services in subject areas not primarily derived from the biomedical journals covered in the Data Bank, or requiring personnel significantly different from the personnel required in connection with the existing Data Bank, then, in the event that EM desires to market products and services based thereon in the United States other than by its own efforts, 3i shall be given the opportunity to purchase the pertinent assets from, become a licensee of, or otherwise represent EM with respect to such services and products in the United States, on terms as favorable as those pursuant to which EM proposes to establish such a relationship with any other person, firm or corporation. In the event that 3i desires to market in Europe or Asia any products or services developed by 3i based on its data banks, other than by its own efforts, EM shall have the right to purchase the pertinent assets from, become a licensee of, or otherwise represent 3i with respect to such services and products in Europe and Asia, on terms the same as or substantially similar to those pursuant to which 3i proposes to establish such a relationship with any other person, firm or corporation.

19. Arbitration

Except for those circumstances with respect to which a specific mechanism for determining disputes has been established in this Agreement, any dispute which may

arise as to the meaning or application or any provision of this Agreement or the Exhibits hereto, which dispute is not promptly settled by mutual agreement of the parties hereto, shall be determined by an arbitration tribunal selected by prompt mutual agreement or, failing such mutual selection, by arbitrators selected under the then existing rules of the American Arbitration Association, and the determination of such arbitrators shall be final and binding upon the parties hereto and their respective successors and assigns, in accordance with the Arbitration Act of 1927, 5 P.S. §161 et seq. or the comparable provisions of the laws of New York, and shall be enforceable in any court of competent jurisdiction. The fees and expenses of such arbitration (and any other arbitration or determination of disputes provided for under this Agreement) shall be borne equally by the parties hereto, unless the arbitrators in their discretion shall otherwise order. The seat of the arbitration tribunal shall be in New York City, New York.

20. Remedies for Violations of Agreement and Limitations Thereon.

(a) Each of the parties hereto agrees to indemnify and hold harmless the other against any breach or violation by it of any representation, warranty, covenant or agreement contained herein.

(b) EM is aware that prior to the date of this Agreement 3i has been engaged in business activities similar in numerous respects to those conducted by EM and that 3i will be making basic changes and modifications in its business plans and policies by reason of the transactions contemplated herein. EM is aware that, in view of the foregoing, 3i and Subsidiary would suffer irreparable harm if EM were to curtail, reduce or diminish its handling of biomedical literature or otherwise fail to perform its material covenants and agreements contained herein, and therefore, EM agrees that in the event of any such attempted curtailment, reduction or diminution during the term of this Agreement, or in the event of any breach by EM of any of its material covenants and agreements contained

herein during said term 3i and Subsidiary shall be entitled to equitable relief, including specific performance, as well as damages and other relief available at law.

(c) Because of the changes and modifications by 3i in its business plans and policies by reason of the transactions contemplated herein, it is essential to 3i that EM continue to perform fully in accordance with the provisions of this Agreement at all times. EM therefore agrees that notwithstanding a dispute between the parties or a breach or violation of this Agreement by 3i, after the Closing Date EM shall continue to perform fully in accordance with the provisions of this Agreement and EM shall be entitled to damages and other relief available at law, other than the right to terminate the Agreement, in the event that it is determined that 3i has breached or violated this Agreement. Notwithstanding the foregoing, it is expressly agreed by 3i that (i) in the event that 3i conducts its business activities in a manner which is judicially determined to be injurious to the reputation or image of the "Excerpta Medica" name, EM shall be entitled to equitable relief as well as damages at law (other than termination of this Agreement) with respect thereto; and that (ii) in the event of a material breach or violation by 3i

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Publicity.

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required to and intends
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22.

Other Assurances.

other instrument
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quest from time to time, be
to effectuate the transact
shall cooperate fully w
ve representatives in cor

steps required to be taken as part of their obligations under this Agreement.

23. Designation of Agent.

EM hereby appoints Peter A. Warren its attorney-in-fact and agent to take any and all action and to execute any and all documents on its behalf with respect to this Agreement and the transactions provided for herein, including but not limited to the making and execution of any amendments to this Agreement, the giving and receipt of any notices pursuant thereto, the execution of any and all documents required to be executed in order to complete the Closing hereunder, and the compromise or settlement of any and all disputes which may hereafter arise pursuant to any provision of this Agreement or any matter or thing growing out of this Agreement or the transactions provided for herein. The appointment of the Agent (and any successor Agent) may be terminated at any time by duly authorized action by EM and in the event of termination of any Agent's appointment or in the event of his resignation, death or incapacity, he shall be succeeded as successor Agent by the person designated by EM.

24. Notices.

Any notice, request or other communication to any party pursuant to or relating to this Agreement and the transactions provided for herein shall be given in writing and shall be deemed to have been given or delivered when deposited in the United States mail, registered or certified and with proper postage and registration or certification fees prepaid, addressed to the parties for whom intended as follows:

If to 3i or Subsidiary:

3i Company - Information
Interscience Incorporated
2204 Walnut Street
Philadelphia, Pennsylvania
Attention: Gerald L. Brodsky, President

with a copy to:

Henry A. Gladstone, Esquire
Wolf, Llock, Schorr and Solis-Cohen
12th Floor Packard Building
Philadelphia, Pennsylvania 19102

If to EM or Agent:

Peter A. Warren
2 East 103rd Street
New York, New York

with a copy to:

Bruce A. Hecker, Esq.
Shea Gallop Climenko & Gould
330 Madison Avenue
New York, New York 10017

or to such other address as the party to be given such notice may designate by written notice to the other parties hereto in the manner above provided.

25. General.

(a) Successors and Assigns; Subsidiaries and Affiliates. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, transferees, successors and assigns. Each of the parties agrees that it will take all action necessary to assure that all of its parents, subsidiaries, affiliates and other controlled or controlling entities honor and comply with this Agreement the same as if they were signatories hereto.

(b) Entire Agreement. The Exhibits and Appendices hereto constitute an integral part of this Agreement.

This Agreement sets forth all the promises, covenants, agreements, conditions and understandings between the parties hereto, and supersedes all prior and contemporaneous agreements and understandings, inducements or conditions, express or implied, oral or written, except as herein contained. This Agreement may not be modified other than by an agreement in writing.

(c) Indulgences not Waivers. No indulgences extended by any party hereto to any other party shall be construed as a waiver of any breach on the part of such other party, nor shall any waiver of one breach be construed as a waiver of any rights or remedies with respect to any subsequent breach.

(d) Controlling Law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of New York. EM consents to the jurisdiction of any court of record of the Commonwealth of Pennsylvania and the United States District Court for the Eastern District of Pennsylvania with respect to any

proceedings arising out of this Agreement and further, agrees that the mailing to its last known address by registered mail of any process shall constitute lawful and valid process. EM agrees to bring any proceedings arising out of this Agreement only in one of the courts above mentioned.

(e) Titles Not to Affect Interpretation.

The titles of paragraphs and subparagraphs contained in this Agreement are inserted for convenience of reference only, and they neither form a part of this Agreement nor are to be used in the construction or interpretation thereof.

(f) Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and it shall not be necessary, in making proof of this Agreement, to produce or account for more than one counterpart.

IN WITNESS WHEREOF, the parties hereto have caused

this Agreement to be executed by their duly authorized representatives, on the day and year first above written.

3i COMPANY - INFORMATION
INTERSCIENCE INCORPORATED

By: _____

Attest: _____

MEDISCHE REFERATAN (Excerpta
Medica) N.V.

INFONET (Excerpta Medica-Réscona)
N.V.

ELTRAC (Infonet) N.V.

EXHIBIT "A"

Definitions and Descriptions of Terms

1. Data Bank - this term shall mean the information presently stored on one or more magnetic tapes containing the entire biomedical literature which has been processed by EM. EM represents and warrants that as of this date it has stored on magnetic tape, in the manner described in the three descriptive journals which are attached as Appendices to this Agreement, and particularly in accordance with the updating procedures set forth in Chapter 5 of Appendix I hereto, abstracts, citations and index terms, for all of the biomedical articles covered in all of the abstract journals published under the "Excerpta Medica" name since January 1, 1969. EM further represents, warrants and agrees that during 1970 it will store on magnetic tape, in the manner described in the three descriptive journals which are attached as an Appendix to this Agreement, and particularly in accordance with the updating procedures set forth in Chapter 5 of Appendix I hereto, abstracts, citations and index terms for at least 95% of the biomedical articles covered by the

Exhibit A - Continued

issues of the approximately 3,000 biomedical journals screened by EM which become available to EM during 1970.

2. Master List - this term shall mean one or more magnetic tapes containing a list of medical indexing terms prepared in accordance with and being of the nature, scope and quality described in Chapter 4 of Appendix I and elsewhere in the Appendices hereto.
3. Computer Software - this term shall mean one or more magnetic tapes containing all programs referred to in any of the three Appendices hereto, programs sufficiently refined and developed to operate and maintain the EM biomedical information storage and retrieval system in the manner described in the three Appendices hereto, all programs used for any special services now developed by EM primarily based upon the Data Bank, or developed as part of the expansion, refinement or improvement of the aforementioned system, and full documentation for all of the aforementioned programs, including flow sheets and source programs.

Without in any manner limiting the requirements included in the foregoing definitions and descriptions, the

Exhibit A - Continued

above terms shall be interpreted to include all magnetic tape which is part of the EM biomedical information storage and retrieval system, and all information in whatever form which is necessary or appropriate to carry out the functions and capabilities of the system as described in the three Appendices hereto, and all information, in whatever form which is delivered by EM to any subscriber to its biomedical information storage and retrieval system or to any service primarily based on the Data Bank.

EXHIBIT "B"

Essential Services

1. Updating - throughout the term of this agreement, EM will (i) deliver to 3i, on a weekly basis unless otherwise agreed by 3i, an updated magnetic tape of the Data Bank prepared in accordance with the updating procedures described in Chapter 5 of the Appendix I hereto; (ii) deliver to 3i, as soon as developed by EM (even though not yet being offered to other customers) magnetic tapes containing all additional programs developed for use in connection with the Data Bank and any products or services principally derived from the Data Bank; (iii) deliver magnetic tapes containing all changes, refinements, improvements and regular additions to the Computer Software and the Master List; and (iv) deliver a copy of all general, standard and non-custom made information, in magnetic tape form (or any substitute form), relating to or used in connection with the Excerpta Medica biomedical information storage and retrieval system and all products and services principally derived from the Data Bank.

Exhibit B - Continued

2. Additional products and services based upon Data Bank -
EM will furnish to 3i all general, standard and non-custom made products and services hereafter developed by EM primarily based upon or derived from biomedical journals now scanned by EM or any other biomedical journals hereafter scanned by EM in connection with the Data Bank, and all information relating to such products and services.
3. Training and instruction of 3i personnel - promptly after Closing and at such other times as 3i shall reasonably request, based upon changes, refinements and developments, EM shall train and instruct representatives of 3i with regard to the biomedical information storage and retrieval system and its components (Data Bank, Master List and Computer Software) sufficiently to enable such personnel to use, operate, understand and evaluate said system and its components, and generate therefrom products and services such as described in the three Appendices hereto.

Exhibit B - Continued

4. A copy of each periodical developed by EM or sold or distributed under the Excerpta Medica name, and any other publication developed by EM or sold or distributed under the Excerpta Medica name which 3i may from time to time request.
-

The above services are to be rendered without any consideration additional to that set forth in the Agreement. EM will furnish to 3i at EM's labor and material cost, copies of such retrospective microfiches (not to exceed 50 in any one week) from the Excerpta Medica microfiche library as 3i shall from time to time request. In addition, for a price equal to the increased labor and material cost of production thereof, EM will furnish to 3i a copy of each current microfiche which is prepared for said library.

EXHIBIT "D" !

Malcolm Kelly v. 3i Company - Information
Interscience Incorporated -- this lawsuit is described
in 3i's Prospectus dated February 26, 1968, a copy of
which has heretofore been furnished to EM. The case
is now in the discovery stage. The former employee's
claim is comprised of a compensation claim aggregating
approximately \$31,000, for the unexpired term of his
employment agreement at the time his employment was
terminated, and a claim that he is entitled to the value
of stock options which, on a post 3-for-1 split basis,
are equivalent to options for 10,000 shares of 3i's
present Common Stock, Class A, at an option price of
\$.33 per share.

APPENDICES

APPENDIX I - EXCERPTA MEDICA AUTOMATED STORAGE AND RETRIEVAL
PROGRAM OF BIOMEDICAL INFORMATION

APPENDIX II - APPLICATION OF THE EXCERPTA MEDICA BIOMEDICAL
INFORMATION SYSTEM TO AN ON-LINE IBM 360 SERIES
INSTALLATION

APPENDIX III - EXCERPTA MEDICA COMPREHENSIVE DRUG LITERATURE
COMPUTER TAPE SERVICE

INDEMNITY AGREEMENT

INDEMNITY AGREEMENT made this 19th day of September, 1969 by and between 3i COMPANY - INFORMATION INTERSCIENCE INCORPORATED, a corporation organized under the laws of Pennsylvania ("3i") and STICHTING EXCERPTA MEDICA (Excerpta Medica Foundation), a non-profit corporation organized under the laws of the Netherlands ("EMF").

W I T N E S S E T H :

Reference is made to an agreement bearing even date herewith ("the Agreement") by and between 3i and MEDISCHE REFERATAN (Excerpta Medica) N.V., a corporation organized under the laws of the Netherlands, its wholly-owned subsidiary INFONET (Excerpta Medica-Rescona) N.V., a corporation organized under the laws of the Netherlands and ELTRAC (Infonet) N.V., a corporation organized under the laws of the Netherlands, said three Netherlands corporations being hereinafter together referred to as EM and as constituent corporations.

1. EMF acknowledges that it controls the constituent corporations, and confirms that said constituent corporations have the power and right to enter into and perform the Agreement, including the power and right to grant to 3i the right and license to the "Excerpta Medica" name as provided in the Agreement. EMF

hereby approves the Agreement.

2. EMF represents and warrants that the representations and warranties of the constituent corporations set forth in the Agreement are true and correct as of the date hereof.

3. EMF agrees to take all action appropriate to cause the constituent corporations to perform the Agreement in accordance with its terms, and agrees to indemnify and hold harmless 3i, its subsidiaries and affiliates, from and against... any and all loss, damage, or liability arising out of any breach or violation of any of the representations, warranties, covenants and agreements of the constituent corporations set forth in the Agreement. EMF's obligations and undertakings herein shall remain effective notwithstanding any modification, extension or renewal of the Agreement, or waiver by any of the constituent corporations of any rights therein, even though EMF is not notified and shall not have given its consent with respect thereto.

4. EMF agrees that it will honor and comply with all of the provisions of the Agreement, including those which are restrictive upon the activities of EM, the same as if EMF were a party to the Agreement.

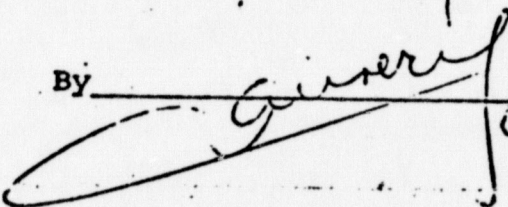
5. EMF consents to the jurisdiction of any court of record of the Commonwealth of Pennsylvania and the United States District Court for the Eastern District of Pennsylvania with respect to any proceedings arising out of this Agreement, and

further agrees that the mailing to its last known address by registered mail of any process shall constitute lawful and valid process.

3i COMPANY - INFORMATION INTERSCIENCE
INCORPORATED

By _____

STICHTING EXCERPTA MEDICA (EXCERPTA
MEDICA FOUNDATION)

By  _____
(James CAUVERIE)

September 19, 1969

Mr. Fred Von Eugen
Casa Olanda
Via Casa del Frate
Losone, Tessin, Switzerland

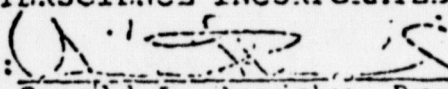
Dear Mr. Von Eugen:

Reference is made to the agreement (hereinafter referred to as "the Agreement") bearing even date herewith by and among 3i Company - Information Interscience Incorporated ("3i") and Medische Referatan (Excerpta Medica) N.V., its subsidiary Infonet (Excerpta Medica-Rescona) N.V. and Eltrac (Infonet) N.V.

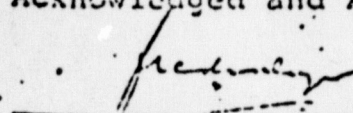
By reason of your efforts in arranging for the parties to the Agreement to meet and negotiate in Amsterdam, and your assistance to the parties during the course of negotiation, you are, of course, familiar with the terms of the Agreement. 3i hereby confirms its understanding with you that at the time of closing under the Agreement you shall become entitled to a fee of \$300,000 for your services in connection with the Agreement, of which \$150,000 shall be paid to you at the closing under the Agreement, with the remaining \$150,000 due and payable to you 180 days after the closing date at your address as specified in this letter. The fee and payments thereof specified above shall be the sole compensation to which you are entitled in connection with the arrangements between the parties to the Agreement. In the event that there shall not be a closing under and in accordance with the Agreement you shall not be entitled to any fee from 3i.

Please confirm that this letter accurately sets forth the terms of your agreement with 3i, by signing and returning the enclosed copy of this letter.

3i COMPANY - INFORMATION
INTERSCIENCE INCORPORATED

By: 
Gerald L. Brodsky, President

Acknowledged and Agreed to:



20
EXHIBIT FOR IDENT.
BANK RECEIVING 300.

(U.L.L.)

3i Company | Information InterScience Incorporated
2101 Walnut Street, Philadelphia, Pennsylvania 19103 (215) 251-9717

June 15, 1970

Mr. Fred Von Eugen
Casa Olanda
Via Casa del Frate
Losone, Tessin, Switzerland

Dear Mr. Von Eugen:

Reference is made to the Letter Agreement between us dated September 19, 1969 (hereinafter referred to as the "Letter Agreement").

This will confirm our understanding that the second installment of \$150,000, which was to have been paid to you on or about April 27, 1970, pursuant to the Letter Agreement, is not due and payable to you, it being our agreement that in lieu of such payment you shall have the rights set forth below.

On December 1, 1970, 3i shall issue to you certificates (in such denominations as you shall designate) for 30,000 shares of the Common Stock, Class A, of 3i, which shares shall be taken by you for investment purposes, without a view to resale, with the certificates being appropriately legended to that effect.

You shall have the right, which may be exercised at any time from July 1, 1971 until June 30, 1972, to require 3i to do either of the following:

1. Repurchase the 30,000 shares of stock for a price of \$150,000, which price shall be payable thirty days from the date of your written request.

2. At 3i's sole cost and expense, diligently prepare, file and use its best efforts to effect a registration statement under the Securities Act of 1933 covering the 30,000 shares. In the event that you shall so request, said registration statement shall be filed within sixty days of your request, subject to the right of 3i to defer such filing until such filing may be made based solely upon financial statements for a full fiscal year of 3i. Notwithstanding the foregoing, in the event that you

Mr. Fred Von Eugen

June 15, 1970

shall request such registration statement, 3i shall not be obligated to proceed with it if (i) 3i has filed a registration statement which became effective after the date on which you received the 30,000 shares, in which registration statement you were offered the opportunity to include said shares, or if (ii) Messrs. Wolf, Block, Schorr and Solis-Cohen, counsel for 3i, shall be of the opinion that said shares can then be freely sold by you in regular brokerage transactions without registration, or if (iii) 3i offers to purchase and pay for said shares within thirty days of your registration request at a price equal to the market value of said shares on the date of such request.

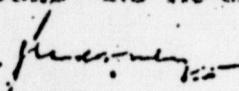
Please confirm that this letter accurately sets forth the terms of our agreement amending the Letter Agreement, by signing and returning the enclosed copy of this letter.

3i Company - Information
Interscience Incorporated

By: 

Gerald L. Brodsky, President

ACKNOWLEDGED AND AGREED TO:


Fred Von Eugen



3i Company | Information Interscience Incorporated
2101 Walnut Street, Philadelphia, Pennsylvania 19103 (215) 569-9717

April 5, 1972

Mr. Fred Von Eugen
Casa Olanda
Via Casa del Frate
Losone, Tessin, Switzerland

Dear Mr. Von Eugen:

Reference is made to the letter agreement between us dated June 15, 1970 (the "1970 letter agreement"), which letter agreement modified an earlier letter agreement between us dated September 19, 1969 (the "1969 letter agreement"). Pursuant to the 1970 letter agreement 30,000 shares of the Common Stock, Class A of 3i were issued to you and were taken by you for investment purposes without a view to resale, with the certificates being appropriately legended to that effect. By the terms of the 1970 letter agreement you had the right, exercisable during 2i's fiscal year ending June 30, 1972 to require 3i to either repurchase the said 30,000 shares of stock on certain terms or file a registration statement covering said shares. You sought to exercise your registration rights under that agreement and there ensued certain correspondence and discussions relating to said proposed registration and related matters. Without passing upon any questions of rights under the 1970 letter agreement, the intention of this letter is to set forth our current agreement which is in settlement of and in place of all rights and obligations under the 1970 letter agreement and the 1969 letter agreement.

It is our understanding that you have agreed to accept, in lieu of any and all rights which you may have or may have had under the 1970 letter agreement and the 1969 letter agreement, a certificate issued to you for 7,500 shares of the Common Stock, Class A of 3i, which shares shall be taken by you, without a view to any resale except as may be permitted under the Securities

Mr. Fred Von Eugen

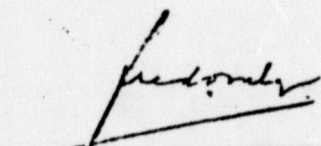
April 5, 1972

Act of 1933, as amended, with the certificate being appropriately legended to that effect. It is our understanding that you have agreed that you will have no rights to require 3i to repurchase or take any action to register the 30,000 shares of Common Stock, Class A now held by you or the 7,500 shares of Common Stock, Class A issuable to you pursuant to this agreement, and that all of such shares will be sold, transferred, or otherwise disposed of by you only in transactions which, in the opinion of Shea, Gould, Climenko & Kramer or other counsel satisfactory to 3i, are in accordance with the Securities Act of 1933, as amended, including Rule 144 and the other rules and regulations promulgated thereunder. We understand that your counsel has reviewed with you the two year holding period, the quantitative limits and the other provisions of Rule 144 limiting transferability of shares.

If this letter sets forth our understanding correctly, please so indicate by signing and returning the enclosed copy, which signature will, of course, constitute a release and discharge by you of any and all rights, claims and actions which you may have or have had under the 1970 letter agreement and the 1969 letter agreement, said release and discharge to be effective upon delivery to you of the aforementioned certificate for 7,500 shares of 3i's Common Stock, Class A.

3i Company - Information
Interscience Incorporated

By: Arthur W. Ellis



Fred Von Eugen

3i Company/Information Interscience Incorporated
Consolidated Balance Sheet

1970 Annual Report

Assets

	June 30, 1970	June 30, 1969*
Current assets		
Cash	\$ 36,742	\$ 36,569
Marketable securities, at cost and accrued interest	—	548,618
Accounts receivable	330,286	467,915
Other current assets	13,428	31,885
Total current assets	380,456	1,084,987
Investments in affiliated companies, at cost, (note 2)	112,500	92,500
Fixed assets, at cost, less accumulated depreciation of \$50,947 and \$31,931 (note 4)	101,302	69,979
Data bank licenses, at cost (note 1)	1,028,606	—
Data bank and systems development cost, at nominal value	1	1
Other assets	24,354	62,130
Total assets	<u>\$1,647,219</u>	<u>\$1,309,597</u>

Liabilities and Shareholders' Equity

Current liabilities		
Accounts payable	\$ 200,084	\$ 105,814
Accrued expenses	89,285	144,394
Total current liabilities	289,369	250,208
Shareholders' equity (notes 1 and 6)		
Common stock, Class A, par value \$.10; authorized 3,000,000 shares, outstanding 1,517,770 and 1,372,175 shares	151,777	137,218
Common stock, Class B, par value \$.10; authorized 300,000 shares, outstanding 132,475 and 154,480 shares	13,248	15,448
Capital in excess of par value	2,649,274	1,807,595
Accumulated deficit	(1,456,449)	(900,872)
Total shareholders' equity	1,357,850	1,059,389
Total liabilities and shareholders' equity	<u>\$1,647,219</u>	<u>\$1,309,597</u>

*Restated

The accompanying notes are an integral part of the financial statements.

3i Company/Information Interscience Incorporated
Consolidated Statement of Operations

	For year ended June 30,	
	1970	1969*
Net revenue (note 1)	\$1,402,760	\$1,256,936
Costs and expenses		
Operating expenses	1,259,821	1,203,130
Selling and administrative expenses	549,348	440,666
	<u>1,809,169</u>	<u>1,643,796</u>
Operating loss on continuing operations	406,409	386,860
Operating loss of discontinued operation (note 1)	149,168	14,456
Net loss before extraordinary item	555,577	401,316
Expenses of non-consummated merger	—	291,144
Net loss	<u>\$ 555,577</u>	<u>\$ 692,460</u>
Loss per share based on weighted average shares outstanding		
Loss from continuing operations	\$.25	\$.26
Loss from discontinued operation09	.01
Extraordinary item	—	.20
Net loss	<u>\$.34</u>	<u>\$.47</u>

*Restated

The accompanying notes are an integral part of the financial statements.

Accountants' Report to the Board of Directors
3i Company/Information Interscience Incorporated

We have examined the consolidated balance sheet of 3i Company/Information Interscience Incorporated and subsidiaries as of June 30, 1970 and the related consolidated statement of operations for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the realization of carrying value of data bank licenses and investments in

affiliated companies as discussed in notes 1 and 2 of Notes to Consolidated Financial Statements, such financial statements present fairly the financial position of 3i Company/Information Interscience Incorporated and subsidiaries at June 30, 1970, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Main Lafrentz & Co.

Philadelphia, Pennsylvania
November 20, 1970

31 Company/Information Interscience Incorporated Notes to Consolidated Financial Statements

1. Principles of Consolidation, Accounting Matters, and Subsequent Events

The consolidated financial statements include the accounts of the Company and its subsidiaries. During the fiscal year, the Company discontinued the operation of its wholly-owned subsidiary, Systan, Inc., which it is currently in the process of selling. This acquisition, in July, 1969, was originally accounted for as a pooling of interests in the financial statements for the fiscal year ended June 30, 1969, which have been restated in the accompanying financial statements to reflect the discontinuation of Systan's operations. The Company's investment in Systan, net of operating losses, is included in other assets in the amount of \$3,555.

Net revenues for 1969, as reflected in the Consolidated Statement of Operations, have been reduced by \$114,358 accompanied by a like reduction in expenses relating to a contract settlement in such year.

On November 2, 1970, the Company amended the agreement whereby it acquired Scientific Literature Corporation (SLC), a wholly-owned subsidiary. The amended agreement released the Company from certain restrictions in regard to the operations of SLC and requires the Company to issue to the former shareholders 44,600 shares of Class A common stock which have been or could have been earned contingent upon earnings of SLC. These shares are reflected as outstanding in the accompanying financial statements. In the opinion of the Company, SLC will achieve the necessary earnings which would have entitled the sellers to receive these shares under the original agreement.

In September, 1969, the Company entered into an agreement, subsequently amended in June, 1970, with Excerpta Medica Foundation, a foreign non-profit corporation, for the exclusive right within the United States to market information services from Excerpta's data bank of biomedical information. The consideration for this right is \$1,000,000, including 46,358 shares of Class A common stock issued in October, 1969, which the Company can be required to purchase at \$15.00 per share in October, 1971, and 30,000 shares of Class A common stock to be issued on December 1, 1970 which the Company can be required to purchase at \$5.00 per share in July, 1971. The shares to be issued on December 1, 1970 have been reflected as outstanding in the accompanying financial statements. At its option, the Company can extend this agreement starting July 1, 1971 and thereafter until 1974 by the payment of additional considerations. An amendment to this agreement affecting the extension of certain dates and changes in additional consideration is currently being negotiated.

During the second half of the fiscal year ended June 30, 1970, the Company commenced marketing its services in connection with the data bank licenses acquired during the year, and had not realized any significant amount of revenues from these services. Accordingly, the Company has not begun to amortize the acquisition costs of these rights and has deferred the determination of its policy in regard to the amortization.

In November, 1970, the Company borrowed \$225,000 from a bank, repayable in August, 1971, at interest of 1% above the prime rate. The President of the Company, his brother, and certain other individuals have guaranteed repayment of the note. In consideration for this guarantee, the guarantors, with the exception of the President, will be issued warrants to purchase, during the next three years, in the aggregate of 45,000 shares of the Company's Class A common stock at \$3.50 per share for the first nine months and \$4.50 per share thereafter. In addition, the bank will be issued warrants to purchase 5,000 shares of the Company's Class A common stock under the same terms.

2. Transactions with Affiliates

The Company carries its investments in two affiliated companies at cost. Both affiliated companies are in the initial year of marketing their principal services and neither has reached a level of profitable operations. These affiliates follow conservative accounting policies of not deferring development expenditures, but instead charge them to income as incurred. Accordingly, the Company's investment of \$112,500, substantially exceeds the underlying equity value. In the opinion of management the cost of these investments fairly states the value of these long-term investments. Officers of the Company also hold interests in these companies. During the year ended June 30, 1970, revenue for materials delivered and services rendered to these affiliates by the Company totaled \$22,002, and costs and expenses totaled \$32,452 for materials received and services rendered to the Company by these affiliates.

3. Contingencies

The Company has commenced an action to collect an advance (which has been fully reserved) made by the Company pursuant to a

proposed acquisition which was discontinued in 1969. A counterclaim in the amount of \$100,000 has been filed in this action. In the opinion of counsel to the Company, the claim is bona fide and the counterclaim is without merit.

A claim, in the amount of \$231,797, has been made against the Company by a former employee alleging a breach of an employment agreement. The Company has filed an answer and counterclaim in this action, commenced in 1967, denying any liability. Based on the information furnished by the Company, counsel to the Company believes there is a meritorious defense to this claim.

4. Fixed Assets

Fixed assets, stated at cost and depreciated over estimated useful lives using straight line and declining balance methods, are comprised as follows:

	Cost	Depreciation to June 30, 1970	Estimated useful life in years
Office furniture and equipment	\$ 79,045	\$27,968	2 to 10 years
Leasehold improvements	73,204	22,959	4 to 11 years
	<u>\$152,249</u>	<u>\$50,947</u>	

Leasehold improvements are being amortized over the life of the lease and options for renewal. The Company's lease on its principal offices expires in February, 1971, but is renewable, at the option of the Company, for three year periods in 1972, 1975 and 1978 at aggregate annual rentals of \$60,000, \$66,000 and \$72,000, respectively.

Improvements and betterments are charged to fixed assets, and expenditures for maintenance, repairs and minor renewals are charged to operations. At the time assets are retired or sold, the cost and accumulated depreciation are removed from the accounts and the resulting gain or loss, if any, is reflected in operations.

5. Tax Loss Carry-Forwards

Unused tax loss carry-forwards of \$1,470,000 are available to offset future taxable income and expire as follows:

June 30, 1973	\$ 340,000
June 30, 1974	280,000
June 30, 1975	950,000
	<u>\$1,470,000</u>

6. Shareholders' Equity

Under the Company's qualified stock option plan up to 600,000 shares of Class A common stock can be granted to officers and key employees at not less than 100% of the fair market value of the Company's stock at date of grant. During the year ended June 30, 1970, options for 29,000 shares were granted and options for 70,400 shares were cancelled due to termination of employment, etc. Options for 2,125 shares were exercised during the year and, at June 30, 1970, options for 61,900 shares were outstanding at prices ranging from \$1.67 to \$22.75 per share, of which options for 20,599 shares were exercisable. Options are exercisable in four and five cumulative equal annual installments.

At June 30, 1970, warrants were outstanding to purchase 30,000 shares of the Company's Class A common stock, at prices ranging from \$2.17 to \$2.75 per share to March 1, 1973, the expiration date of the warrants.

The Company has reserved 132,475 shares of Class A stock for future conversion privileges of Class B stock. Class B stock has six votes per share, and Class A stock has one vote for each share held.

Changes in shareholders' equity is summarized as follows:

	Common stock Class A	Common stock Class B	Capital in excess of par value	Accumulated deficit
Balance at June 30, 1969	\$137,218	\$15,448	\$1,807,595	\$ (900,872)
Conversion of Class B stock	2,200	(2,200)		
Options exercised	212			3,626
Stock issued in connection with amendment to Scientific Literature Corporation acquisition agreement (note 1)	4,480			(4,480)
Stock issued in connection with agreement with Excerpta Medica Foundation (note 1)	7,667			842,333
Net loss for year ended June 30, 1970				(555,577)
Balance at June 30, 1970	<u>\$151,777</u>	<u>\$13,248</u>	<u>\$2,649,274</u>	<u>\$ (1,451,443)</u>

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RECEIPT

To: 3i Company - Information
Interscience Incorporated

Receipt is hereby acknowledged of a stock certificate for 46,666 shares of Common Stock, Class A of 3i Company - Information Interscience Incorporated issued to Medische Referatan (Excerpta Medica) N.V., delivered by you on this date.

^E
MEDISCHE REFERATAN
(Excerpta Medica) N.V.

By: Vinkey

Dated: October 30, 1969

3i COMPANY / INFORMATION INTERSCIENCE INCORPORATED AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
June 30, 1972 and 1971

ASSETS

	<u>1972</u>	<u>1971</u>
Current assets:		
Cash (including \$60,000 certificate of deposit in 1972)	\$135,840	\$ 20,190
Cash (certificate of deposit) used for business acquisition in August, 1972 (Note 10)	190,000	—
Notes and accounts receivable including amounts due from affiliated companies at June 30, 1972 and 1971, of \$11,422 and \$12,397 respectively	181,392	131,395
Other current assets	<u>9,195</u>	<u>18,774</u>
Total current assets	516,427	170,359
Investments, at cost and advances to affiliated companies (Note 3)	95,000	115,000
Fixed assets, at cost, less accumulated depreciation and amortization of \$103,144 and \$61,436 respectively (Note 4)	160,059	85,949
Data bank licenses, at cost, less accumulated amortization of \$16,454 and \$8,303 respectively (Note 5)	8,152	1,016,303
Other assets	<u>26,354</u>	<u>16,230</u>
	<u>\$805,992</u>	<u>\$1,403,841</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Current installments on long-term debt (Note 6)	\$ 55,000	\$ 108,537
Accounts payable	82,095	113,221
Accrued liabilities	<u>55,832</u>	<u>55,874</u>
Total current liabilities	192,927	277,632
Long-term debt (Note 6)	453,174	205,896
Contingencies and commitments (Note 7)		
Stockholders' equity (Notes 5, 8 and 10):		
Common stock Class A, one vote per share; par value \$.10 per share; authorized 3,000,000 shares; 1972, 2,485,916 shares issued less 25,000 shares held in treasury at no cost; outstanding 2,460,916 shares; 1971 issued and outstanding 1,571,770 shares	248,592	157,177
Common stock, Class B, six votes per share; par value \$.10 per share; authorized 300,000 shares; 1971 issued and outstanding 103,475 shares	—	10,348
Capital in excess of par value	7,196,086	2,753,024
Deficit	<u>(7,284,787)</u>	<u>(2,000,236)</u>
	<u>159,891</u>	<u>920,313</u>
	<u>\$ 805,992</u>	<u>\$1,403,841</u>

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF LOSS AND DEFICIT

for the years ended June 30, 1972 and 1971

	<u>1972</u>	<u>1971</u>
Revenues	\$ 637,243	\$1,052,657
Cost and expenses:		
Cost of revenues	829,275	975,650
Selling and administrative expenses	625,886	479,861
	<u>1,455,161</u>	<u>1,455,511</u>
Data bank system development costs	—	178,209
	<u>1,455,161</u>	<u>1,633,720</u>
Operating loss before amortization of intangible assets attributable to business acquisitions	817,918	581,063
Amortization of intangible assets attributable to business acquisitions	<u>163,293</u>	—
Loss before extraordinary items	981,211	581,063
Extraordinary items:		
Costs of business acquisitions attributable to intangible assets (Note 2)	3,303,340	—
Cost of investment in data bank license (Note 5)	1,000,000	—
Gain on sale of wholly-owned subsidiaries (Note 2)	—	(37,276)
Loss	<u>5,284,551</u>	<u>543,787</u>
Deficit, beginning of year	<u>2,000,236</u>	<u>1,456,449</u>
Deficit, end of year	<u>\$7,284,787</u>	<u>\$2,000,236</u>
Loss per share of common stock (average shares outstanding) (Note 8):		
Loss before extraordinary items	\$.45	\$.35
Extraordinary items	<u>1.97</u>	<u>(.02)</u>
Loss	<u>\$ 2.42</u>	<u>\$.33</u>

CONSOLIDATED STATEMENT OF CAPITAL IN EXCESS OF PAR VALUE

for the years ended June 30, 1972 and 1971

	<u>1972</u>	<u>1971</u>
Balance, beginning of year	\$2,753,024	\$2,649,274
Increase arising from transactions in common stock, Class A:		
Issued in connection with acquisition agreements; 367,671 shares	3,621,840	—
Sold, net of related expenses in 1972 of \$25,415; 362,500 and 25,000 shares respectively	663,335	103,750
Issued in connection with options and warrants exercised; 25,500 shares	53,700	—
Conversion of notes payable; 50,000 shares	95,000	—
Issued in connection with settlement of litigation; 5,000 shares	9,187	—
Balance, end of year	<u>\$7,196,086</u>	<u>\$2,753,024</u>

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
for the years ended June 30, 1972 and 1971

	<u>1972</u>	<u>1971</u>
Use of Working Capital:		
Loss before extraordinary items	\$ 981,211	\$ 581,063
Items not requiring working capital:		
Amortization of intangible assets attributable to business acquisitions	(163,293)	—
Depreciation and amortization	(53,286)	(31,803)
Common stock, Class A issued in connection with settlement of litigation	(9,687)	—
Working capital used in operations before extraordinary items	<u>754,945</u>	<u>549,260</u>
Extraordinary items requiring or (providing) working capital:		
Gain on sale of wholly-owned subsidiaries	—	(37,276)
Working capital used in operations	<u>754,945</u>	<u>511,984</u>
Cost of intangible assets attributable to business acquisitions	3,466,633	—
Decrease in long-term debt	41,524	—
Additions to fixed assets	115,818	5,978
Advances to affiliated companies	—	2,500
Working capital used	<u>4,378,920</u>	<u>520,462</u>
Source of Working Capital:		
Value of stock issued for business combinations	3,658,607	—
Proceeds from sale of common stock, Class A, net of expenses and exercise of stock options and warrants	755,835	106,250
Proceeds from issuance of notes payable subsequently converted into common stock, Class A	100,000	—
Increase in long-term debt	288,802	205,896
Other, net	6,449	9,956
Working capital provided	<u>4,809,693</u>	<u>322,102</u>
Increase (decrease) in Working Capital	<u>\$ 430,773</u>	<u>\$ (198,360)</u>
Components of Changes in Working Capital:		
Increase (decrease) in current assets:		
Cash	305,650	(16,552)
Accounts receivable	49,997	(198,891)
Other current assets	(9,579)	5,346
Decrease (increase) in current liabilities:		
Current installments on long-term debt	53,537	(108,537)
Accounts payable and accrued liabilities	31,168	120,274
Increase (decrease) in Working Capital	<u>\$ 430,773</u>	<u>\$ (198,360)</u>

	<u>June 30,</u>	
	<u>1972</u>	<u>1971</u>
Current assets	\$ 516,427	\$ 170,359
Current liabilities	192,927	277,632
Working capital (deficiency)	<u>\$ 323,500</u>	<u>\$ (107,273)</u>

* 1971 Reclassified for comparative purposes.

The accompanying notes are an integral part of the financial statements.

3i COMPANY/INFORMATION INTERSCIENCE INCORPORATED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Operations:

The principal operations of the Company for the year ended June 30, 1972 related to providing computer based information services from data banks, abstracting and indexing, microfilming and data processing services. In addition, in August, 1972, the Company acquired all the outstanding stock of the Mauchly Wood Systems Corporation which designs, develops and implements systems in support of the information processing needs of government and industry (see Note 10 to consolidated financial statements).

During the current year, the Company sustained an operating loss. As a result, management is evaluating the profitability and long-term growth of the services provided by the Company. As part of this evaluation, management has determined that certain costs will not be recoverable through future operations and, therefore, has charged these costs to current operations as extraordinary items (see notes 2 and 5 to consolidated financial statements).

The Company has completed certain financing arrangements subsequent to June 30, 1972 (see note 10 to consolidated financial statements). This financing was required for the continuance of operations and in management's belief, these financing arrangements will satisfy the Company's operating requirements for the year ending June 30, 1973.

2. Principles of Consolidation:

The consolidated financial statements include the accounts of the Company and its subsidiaries.

The Company acquired substantially all of the business and assets of Information Company of America and Information Corporation of America (ICA) in July, 1971 and American Micromation Industries, Inc. (AMI), in November, 1971, in exchange for 244,000 and 123,621 shares of Class A common stock, respectively. The Company had a 29% ownership interest in AMI prior to acquisition.

These acquisitions were accounted for by the purchase method and the results of their respective operations are included in the consolidated financial statements from the dates of acquisition. The value assigned to the common stock issued to the stockholders of ICA and AMI was \$3,053,857 and \$604,750. The cost of these acquisitions in excess of net tangible assets acquired was \$2,960,904 and \$505,729 respectively.

The value assigned to the ICA acquisition was determined by management of the Company by valuing the Class A common stock issued based upon the average market price of \$17.38 during the period of negotiation (April through June 1971). Management valued 107,422 shares, which were available for sale within 90 days after the acquisition, at the average market price of \$17.38 and valued 136,578 shares, which were restricted by agreement or by Securities and Exchange Commission regulations, at a discount of 50% from the aforementioned market price. The value assigned to the AMI acquisition of \$604,750 was in accordance with the acquisition agreement. The Company established an initial amortization period of twenty years for these amounts of intangible assets. The amount of this amortization charged to operations for the year ended June 30, 1972 was \$163,293.

In the opinion of management, the value assigned to these acquired intangible assets is deemed not to be recoverable through future operations. This cost of \$3,303,340, net of the current year's amortization, has been reflected as an extraordinary charge.

Had the acquisitions taken place on July 1, 1970 the unaudited results of operations before extraordinary items on a pro forma basis would have been as follows (American Micromation Industries, Inc. on the basis of an August 31 year end prior to acquisition):

Years Ended June 30,

	1972	1971
Revenues	\$ 659,488	\$1,502,382
Loss before extraordinary items . . .	\$1,014,747	\$ 916,187
Loss per share before extraordinary items	\$.46	\$.45

During the year ended June 30, 1971 the Company sold two of its subsidiaries, Trenton-Nassau Service Bureau (T.N.S.B., Inc.) and Systan, Inc. The results of operations of T.N.S.B., Inc. have been included in the consolidated statement of loss to March 31, 1971, the date of sale. T.N.S.B., Inc. contributed \$204,000 to consolidated revenues and comprised \$126,000 of the consolidated loss before extraordinary item, including \$82,000 of expenses allocated to T.N.S.B., Inc. by the Company, for the year ended June 30, 1971. The Company had discontinued the operations of Systan, Inc. during the year ended June 30, 1970.

3. Affiliated Companies:

The investment, at cost, of \$95,000 at June 30, 1972 represents an interest of approximately 27% in Datapro Research Corporation (Datapro). During the year, a former officer contributed 25,000 shares of Datapro common stock to the Company. This contributed stock was recorded at no value on the books of account (see note 8 to consolidated financial statements).

Datapro had net income (unaudited) of \$62,000 for the six month period ended June 30, 1972. Due to prior period operating losses, Datapro had a deficiency in stockholder's equity of \$109,000 at June 30, 1972. In the opinion of management, the cost of this investment fairly states its value (see note 10 to consolidated financial statements for assignment of the ownership interest as collateral under financing arrangements subsequent to June 30, 1972).

In November, 1971, the Company acquired the business and assets of American Micromation Industries, Inc., an affiliated company as of June 30, 1971 (see note 2 to consolidated financial statements).

4. Fixed Assets and Depreciation and Amortization Policy:

The Company and its subsidiaries provide for depreciation and amortization principally on the straight-line method over the estimated useful lives of the assets.

The composition of fixed assets is as follows:

	1972	1971	Estimated Useful Life
Machinery, furniture and equipment	\$183,706	\$ 70,822	3-10 years
Leasehold improvements	79,497	76,563	Life of lease
	\$263,203	\$147,385	
Less accumulated depreciation and amortization	103,144	61,436	
	<u>\$160,059</u>	<u>\$ 85,949</u>	

5. Data Bank Licenses:

The policy of the Company is to amortize the acquisition cost of data bank licenses generally over the life of the agreement commencing in the year that the related service becomes fully operational. Annual fees incurred under these agreements are charged to operations. If, however, the acquisition costs of data bank licenses are deemed not to be recoverable through future operations, these costs are written off in the current period.

The Company has an agreement with Excerpta Medica Foundation (Excerpta), a foreign corporation, for the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

exclusive right within the United States to market information services from Excerpta's data bank of biomedical information. The Company at its option may extend this agreement to 1984, commencing with the year which begins July 1, 1972, by the payment of an annual fee (initially \$100,000 increasing \$50,000 annually thereafter to a maximum of \$300,000) and the issuance, annually, of additional shares of Class A common stock whose market value, as defined in the agreement, equals 2 percent of the Company's consolidated gross revenues for such fiscal year. The Company has not yet remitted the quarterly installment of \$25,000 due by September 30, 1972. The Company may terminate the agreement on June 30 of any year by advance notice to Excerpta.

The \$1,000,000 cost (76,666 shares of Class A common stock issued in 1969 and 1970) of obtaining this data bank license has been charged to current operations as an extraordinary item. This amount was deemed not to be recoverable through future operations because of the losses sustained and the annual fee obligations under the present agreement. Management is currently negotiating with Excerpta to reduce the Company's operating responsibilities as well as the aforementioned financial obligations under this agreement. The future operational status of these services is dependent upon the outcome of these negotiations.

6. Long-Term Debt:

A summary of long-term debt at June 30, 1972 is as follows:

Note payable to bank due July 31, 1973 with interest at 2% above the prime rate (see note 10 to consolidated financial statements)	\$175,000
9.5% deferred payment agreement due in equal monthly installments through September 1, 1973	69,372
8.6% convertible subordinated debentures due October 31, 1981	150,600
6% convertible subordinated debentures due July 31, 1986 including accrued interest at June 30, 1972 of \$5,902	113,202
	508,174
Less current installments	55,000
	<u>\$453,174</u>

The deferred payment agreement is collateralized by the assets of the Company.

The 8.6% and 6% debentures may be converted, at the option of the holders, into 30,798 shares (\$4.89 per share) and 6,131 shares (\$17.50 per share), respectively, of the Class A common stock of the Company. The Company has the right to defer repayment of one-third of the principal amount of each issue for one year and an additional one-third for two years beyond the indicated maturity date. Interest will be payable at 9% per annum during any extension period.

Under terms of the agreements, the Company may redeem the debentures, in whole or in part, at any time at 100% of the principal amount plus accrued interest to the redemption date. The debentures are subordinated to indebtedness for borrowed funds and amounts due for equipment, supplies or data or rights thereto, currently existing or hereafter incurred.

Interest shall not be paid on the 8.6% debentures prior to October 31, 1974. The Company did not accrue interest on these debentures (see note 8 for conversion of certain debentures subsequent to June 30, 1972). The Company has elected, under the terms of the 6% debentures, to postpone all payments of interest until July 31, 1974 and, accordingly, long-term debt includes interest accrued thereon.

7. Contingencies and Commitments:

The leases on electronic data processing equipment require

annual payments of \$124,000. These leases expire in May 1974 except that the Company has cancellation rights, with certain penalties, in April 1973.

Commitments for the rental of office space in the next fiscal year are approximately \$50,000.

The Company is negotiating the termination of existing employment agreements with three of its officers, although it is presently planning to continue the employment of these individuals. These agreements are for periods of up to two years and require, among other things, payment of annual compensation aggregating \$80,000. In addition, the employment contracts for two other officers were terminated subsequent to June 30, 1972. The Company is also negotiating an employment agreement with its Chief Executive Officer. It is expected that this contract will be for a period of two years and will require, among other things, an annual salary of \$45,000, and will provide for the issuance of 100,000 shares of Class A common stock at \$.50 per share under a nonqualified stock option.

Certain stockholders have the right to request registration of Class A common stock under the Securities Act of 1933. The Company agreed to absorb registration costs, when requested.

The Company has entered into an agreement with a stockholder to issue 7,500 shares of its Class A common stock in exchange for cancellation of that stockholder's rights to require the Company to repurchase or register 30,000 shares. The rights, previously granted to certain stockholders, to require the Company to repurchase 46,666 shares of its Class A common stock have terminated during the year ended June 30, 1972.

The Company has incurred costs for professional services of approximately \$40,000 in connection with the acquisition of Mauchly Wood Systems Corporation and the proposed acquisition of Digital Resources Corporation. These costs, most of which were incurred subsequent to June 30, 1972 are not recorded in the accompanying financial statements.

Under financing arrangements subsequent to June 30, 1972 the Company has assigned its ownership interest in Datapro Research Corporation as collateral and has agreed to issue warrants (see note 10 to consolidated financial statements).

8. Capital Stock, Options and Warrants:

In accordance with the Company's qualified stock option plan, options may be granted to key employees prior to September 30, 1977 to purchase a maximum of 600,000 shares of Class A common stock at not less than fair market value at the date of grant. At June 30, 1972 there were 527,525 shares which may be granted prior to the expiration of the plan, providing an equivalent number of authorized and unissued shares are available. The options expire five years after date granted and are exercisable as determined by the Board of Directors which as to shares currently under option is principally on a cumulative basis as follows: One-third of the shares can be exercised after eight months from the date granted and one-third after each eighth month period thereafter.

At June 30, 1972, options were outstanding to purchase 27,150 shares (of which option for 475 shares were exercisable at that date) at option prices from \$3.75 to \$22.75 per share. During the year options for 30,000 shares were issued, options covering 18,000 shares were exercised and options covering 9,600 shares were cancelled. No charges were made to income in connection with the plan.

Warrants to purchase 103,000 shares of the Company's Class A common stock at prices from \$2.00 to \$5.00 per share are outstanding at June 30, 1972. During the year warrants to purchase 35,500 shares were issued, principally to guarantors of the bank note payable at \$2.00 per share and warrants to purchase 7,500 shares at \$3.50 per share were exercised. The outstanding warrants expire as follows: 30,000 in March 1973, 38,000 in January 1974 and 35,000 in February 1975 (see note 10 to consolidated financial statements for warrants to be issued subsequent to June 30, 1972 in connection with financing arrangements).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company has reserved an aggregate of 167,079 shares of Class A common stock for conversion privileges of convertible subordinated debentures and the exercise of outstanding stock options and warrants. Subsequent to June 30, 1972, 10,685 shares were issued upon conversion of \$52,250 of 8.6% debentures. Also, it is expected that a nonqualified stock option for 100,000 shares will be granted to an officer of the Company (see note 7 to consolidated financial statements).

During the year, a former officer contributed 25,000 shares of Class A common stock to the Company and 103,475 shares of Class B common stock held by the officer were converted into Class A, all in accordance with an agreement dated February 9, 1972 wherein the employment of the officer was terminated and outstanding matters between the officer and Company were settled. For other changes in outstanding shares, see Consolidated Statement of Capital in Excess of Par Value.

Stock options and warrants were not included in the calculation of loss per share since the market price of the Class A common stock is currently less than the related exercise prices.

9. Federal Income Taxes:

At June 30, 1972 tax loss carryforwards of approximately \$2,655,000 were available to reduce future federal taxable income within the limitations of applicable regulations in the event that income prior to their expiration is sufficient to permit their utilization. The carryforwards will expire as follows:

1973	\$ 234,000
1974	272,000
1975	641,000
1976	690,000
1977	818,000
	<u>\$2,655,000</u>

10. Subsequent Acquisition and Financial Arrangements:

Acquisition:

On August 16, 1972, the Company acquired all of the

outstanding stock of Mauchly Wood Systems Corporation, a wholly-owned subsidiary of Digital Resources Corporation for the consideration of \$190,000 in cash and the issuance of 35,000 shares of Class A common stock. This acquisition will be accounted for by the purchase method whereby the value of the consideration given will be allocated to the net assets acquired. A portion of the aggregate acquisition cost will be assigned to intangible assets, which amount will be ratably charged to operations in the succeeding years.

The unaudited financial statements of Mauchly Wood at July 31, 1972, reflected net assets of approximately \$132,000 including working capital of \$97,000. For the year ended October 31, 1971 and the nine months ended July 31, 1972, revenues were \$922,000 and \$587,000 and losses from operations were \$208,000 and \$66,000, respectively (all amounts are unaudited).

The Company is in the process of negotiating for the acquisition of the business and assets of Digital Resources Corporation which is engaged in computer related services.

Financing arrangements:

During September and October, 1972 the Company borrowed an aggregate of \$200,000 from a stockholder in exchange for (1) a note payable on March 31, 1974 with interest at 7½% per annum, (2) the assignment of 127,104 shares of Datapro Research Corporation (the company's interest of 27% consists of 258,881 shares) and 80% of the capital stock of Mauchly Wood Systems Corporation, a wholly-owned subsidiary, as collateral and (3) the issuance of warrants to purchase 50,000 shares of Class A common stock at \$1 per share for a period of three years. This note payable would become due and payable thirty days after the sale of Datapro stock, if such sale is consummated. At present the details of this transaction are contained in letters of understanding.

In addition, on October 13, 1972 a stockholder issued a letter of commitment to purchase 125,000 shares of Class A common stock for \$50,000 (\$.40 per share) within ninety days.

On October 20, 1972 an agreement was reached with the bank to extend the loan due August 31, 1972 to July 31, 1973. In consideration thereof the company will assign 100,000 shares of Datapro stock as collateral. Stockholders continue to guarantee the payment of this loan.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors

3i Company/Information Interscience Incorporated

We have examined the consolidated balance sheet of 3i Company/Information Interscience Incorporated and subsidiaries as of June 30, 1972 and the related consolidated statements of loss and deficit, capital in excess of par value and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, except we were not able to examine independent valuations of the Class A common stock issued in business acquisitions during the year since the Company did not obtain such valuations. We previously examined and reported upon the consolidated financial statements of the Company for the year ended June 30, 1971 which financial statements, in our opinion, fairly presented financial position, results of operations and changes in financial position, all subject to (1) the recovery of the cost of the investment in affiliated company and data bank license, (2) the completion of the additional financing required to continue the operations of the Company and (3) the completion of arrangements to meet a stock purchase commitment, if required, related to the acquisition of the data bank license.

The aforementioned financial statements have been prepared on a going-concern basis which contemplates the realization of assets and liquidation of liabilities in the ordinary course of business. Continuation of the business is dependent upon obtaining adequate financing and ultimately achieving profitable operations. Should adverse circumstances interrupt the continuity of the business, the realization of assets and order of maturity of liabilities may be affected. During the current and prior years, the Company experienced substantial losses and at June 30, 1972 had a substantial deficit. The financing arrangements completed subsequent to June 30, 1972, as described in Note 10 to the consolidated financial statements, were required in order to continue operations. The adequacy of these financing arrangements is dependent upon the Company and its subsidiaries performing in accordance with management's operating plan for the year ending June 30, 1973, which plan includes Mauchly Wood Systems Corporation acquired subsequent to June 30, 1972. Based on this plan, the Company and its subsidiaries, as presently constituted, do not contemplate profitable operations for the year ending June 30, 1973. In addition, the Company may require additional financing for the payment under the data bank license agreement as explained in Note 5 to the consolidated financial statements.

In our opinion, subject to the comments in the preceding paragraph relating to the preparation of the financial statements on a going-concern basis and subject to the recovery of the cost of the investment in affiliated company referred to in Note 3, the balance sheets at June 30, 1972 and 1971 and the statements of loss and deficit, capital in excess of par value and changes in financial position for the year ended June 30, 1971 present fairly the financial position of 3i Company/Information Interscience Incorporated and subsidiaries at June 30, 1972 and 1971, and the results of their operations and the changes in their financial position for the year ended June 30, 1971, all on a going-concern basis, in conformity with generally accepted accounting principles applied on a consistent basis. Because the write-off of the unamortized cost of intangible assets relating to business acquisitions and the amortization for the year are material to results of operations and the Company had not obtained an independent valuation of the common stock representing the cost of these acquisitions, we do not express an opinion on the statements of loss and deficit, capital in excess of par value and changes in financial position for the year ended June 30, 1972.

1900 Three Girard Plaza
Philadelphia, Pennsylvania
September 26, 1972 (October 20, 1972 as to Note 10)

LYBRAND, ROSS BROS. & MONTGOMERY

Consolidated Balance Sheet

June 30, 1971 and 1970

3I Company/Information InterScience Inc.

Assets

	1971	1970
Current Assets:		
Cash	\$ 20,190	\$ 36,742
Accounts receivable including amounts due from affiliated companies at June 30, 1971 of \$12,397	131,395	330,286
Other current assets	18,774	13,428
Total current assets	170,359	380,456
Investments, at cost and advances to affiliated companies	115,000	112,500
Fixed assets, at cost, less accumulated depreciation and amortization of \$61,436 and \$50,947 (Note 3)	85,949	101,302
Data bank licenses, at cost, less accumulated amortization at June 30, 1971 of \$8,303 (Note 4)	1,016,303	1,028,606
Other assets	16,230	24,355
	<u>\$1,403,841</u>	<u>\$1,647,219</u>

Liabilities and Stockholders' Equity

Current Liabilities:		
Current installments on long-term debt (Note 5)	\$ 108,537	—
Accounts payable	113,221	\$ 222,335
Accrued liabilities	55,874	67,034
Total current liabilities	277,632	289,369
Long-term debt (Note 5)	205,896	—
Contingencies and commitments (Note 6)		
Stockholders' equity (Notes 4, 7, & 9):		
Common stock, Class A, one vote per share; par value \$.10 per share; authorized 3,000,000 shares, issued and outstanding 1,571,770 and 1,517,770 shares	157,177	151,777
Common stock, Class B, six votes per share; par value \$.10 per share; authorized 300,000 shares, issued and outstanding 103,475 and 132,475 shares	10,348	13,248
Capital in excess of par value	2,753,024	2,649,274
Deficit	(2,000,236)	(1,456,449)
	<u>920,313</u>	<u>1,357,850</u>
	<u>\$1,403,841</u>	<u>\$1,647,219</u>

1970 Reclassified for comparative purposes.

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Loss

ended June 30, 1971 and 1970

3i Company/Information Interscience Inc.

	1971	1970
Revenues	<u>\$1,052,657</u>	<u>\$1,402,760</u>
Costs and expenses (other than data bank system development costs):		
Cost of revenues	975,850	1,167,992
Selling and administrative expenses	479,861	549,348
Total	<u>1,455,511</u>	<u>1,717,340</u>
Operating loss before data bank system development costs	402,854	314,580
Data bank system development costs	<u>178,209</u>	<u>91,829</u>
Operating loss before discontinued operation	581,063	406,409
Operating loss of discontinued operation (Note 1)	—	149,168
Loss before extraordinary item	581,063	555,577
Gain on sale of wholly-owned subsidiaries (Note 1)	37,276	—
Loss	<u>\$ 543,787</u>	<u>\$ 555,577</u>
Loss per share of Common Stock based on average shares outstanding (Note 7):		
Operating loss before discontinued operation	\$.35	\$.25
Operating loss from discontinued operation	—	.09
Loss before extraordinary item35	.34
Extraordinary item	(.02)	—
Loss	<u>\$.33</u>	<u>\$.34</u>

1970 Reclassified for comparative purposes.

The accompanying notes are an integral part of the financial statements.

**Consolidated Statement of Deficit and
Consolidated Statement of Capital in Excess of Par Value**
Years ended June 30, 1971 and 1970

3i Company/Information Interscience Inc.

Consolidated Statement of Deficit

	1971	1970
Deficit, beginning of year	\$1,456,449	\$ 900,872
Loss for the year	543,787	555,577
Deficit, end of year	<u>\$2,000,236</u>	<u>\$1,456,449</u>

Consolidated Statement of Capital in Excess of Par Value

Balance, beginning of year	\$2,649,274	\$1,807,595
Common stock, Class A, issued to acquire data bank license	—	842,333
Common stock, Class A, sold and options exercised	103,750	3,826
Common stock, Class A, issued in connection with amendment to acquisition agreement	—	(4,480)
Balance, end of year	<u>\$2,753,024</u>	<u>\$2,649,274</u>

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Source and Use of Funds

ended June 30, 1971 and 1970

3i Company/Information Interscience Inc.

	1971	1970
Use of funds:		
Operating loss	\$581,063	\$ 555,577
Items not requiring funds:		
Depreciation and amortization	(31,803)	(31,512)
Provision for doubtful receivable	—	(34,500)
Funds used in operations before extraordinary item	549,260	489,565
Extraordinary gain on sale of subsidiaries	(37,276)	—
Funds used in operations	511,984	489,565
(Increase) decrease in accounts payable and accrued liabilities	120,274*	(39,161)
Acquisition of data bank licenses	—	1,028,606
Addition to fixed assets	5,978	76,069
Investment in and advances to affiliated companies	2,500	20,000
	<u>\$640,736</u>	<u>\$1,575,079</u>
Source of funds:		
Proceeds from sales of common stock, Class A	106,250	4,038
Common stock, Class A, issued for data bank licenses		850,000
Increase in long-term debt (including current installment of \$108,537*)	314,433	
Decrease in marketable securities		548,618
Decrease in accounts receivable	198,891*	137,629
Other, net (including decreases in current assets of \$11,206* and \$18,284)	21,162	34,794
	<u>\$640,736</u>	<u>\$1,575,079</u>

The net decrease in working capital for the year ended
June 30, 1971 is as follows:

	JUNE 30		Net
	1971	1970	Decrease
Current assets	\$ 170,359	\$380,456	\$210,097
Current liabilities	277,632	289,369	(11,737)
Working capital (deficiency)	<u>\$(107,273)</u>	<u>\$ 91,087</u>	<u>\$198,360</u>

*Items comprising net decrease in working capital.

The accompanying notes are an integral part of the financial statements.

3i Company/Information Interscience Incorporated Notes to Consolidated Financial Statements

1. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. During the year, the Company sold two of its subsidiaries, Trenton-Nassau Service Bureau (T.N.S.B., Inc.) and Systan, Inc. The results of operations of T.N.S.B., Inc. have been included in the consolidated statements of income to March 31, 1971, the date of sale. T.N.S.B., Inc. contributed \$204,000 and \$461,000 to consolidated revenues and comprised \$126,000 and \$169,000 of the consolidated loss before extraordinary item for the years ended June 30, 1971 and 1970, respectively. The aforementioned losses include \$82,000 and \$149,000 of expenses allocated to T.N.S.B., Inc. by the Company. The Company will continue to provide similar or related services to those of T.N.S.B., Inc. The Company discontinued the operations of Systan, Inc. during the year ended June 30, 1970, which operations are shown as a separate item in the consolidated statement of loss for that year.

2. Affiliated Companies

The investment, at cost, of \$112,500 represents an interest of approximately 22% and 29%, respectively, in two affiliated companies, Datapro Research Corporation (\$95,000) and American Micromation Industries, Inc. (\$17,500). An officer of the Company also holds a substantial interest in these affiliated companies. Transactions between the Company and these affiliated companies, consisting primarily of the sharing of certain occupancy costs, were not significant during the year ended June 30, 1971. Because of operating losses Datapro Research Corporation has a deficiency in stockholders' equity at June 30, 1971; however, in the opinion of management the cost of this investment to the Company fairly states its long-term value.

On October 13, 1971 the Company agreed to acquire the remaining outstanding shares of American Micromation Industries, Inc. Under this agreement the officer of the Company holding an interest in American Micromation Industries, Inc. will receive no consideration for this interest. (See note 9 to consolidated financial statements.)

3. Fixed Assets and Depreciation and Amortization Policy

The companies provide for depreciation and amortization principally on the straight-line method over the estimated useful lives of the assets. Fixed assets and related depreciation and amortization are as follows:

	Cost	Depreciation to June 30, 1971	Estimated useful life
Office furniture and equipment	\$ 70,822	\$33,551	2 to 10 years
Leasehold improvements	76,563	27,886	10 years
	<u>\$147,385</u>	<u>\$61,436</u>	

4. Data Bank Licenses

The Company has an agreement with Excerpta Medica Foundation, a foreign corporation, for the exclusive right within the United States to market information services from Excerpta's data bank of biomedical information. The Company at its option may extend this agreement to 1984, commencing with the year which begins July 1, 1972, by the payment of an annual fee (initially \$100,000 increasing \$50,000 annually thereafter to a maximum of \$300,000) and the issuance, annually, of additional shares of Class A common stock whose market value, as defined in the agreement, equals 2 percent of the Company's consolidated gross revenues for such fiscal year. The cost of obtaining this exclusive right was \$1,000,000, consisting principally of 46,666 and 30,000 shares of Class A common stock, issued in 1969 and 1970, respectively. The Company can be required to repurchase the 46,666 shares at \$15 per share in April 1972, and the 30,000 shares at \$5 per share until June 30, 1972. In addition, the Company has the exclusive right to market the aforementioned services in most countries outside the United States for a fee of 20 percent of the gross billings derived therefrom. During the fiscal year ended June 30, 1971 the Company continued to incur costs in connection with data bank development. Management believes that increased marketability of biomedical information services can be achieved in the near future.

The policy of the Company is to amortize the acquisition cost of data bank licenses generally over the life of the agreement commencing in the year the related service becomes fully operational. Annual fees incurred under these agreements are charged to operations.

5. Long-Term Debt

Long-term debt at June 30, 1971 consisted of (1) note payable to bank due in quarterly installments of \$25,000 commencing December 31, 1971 with the final payment of \$150,000 due August 31, 1972 together with interest of 1% above the prime rate (see note 9 to consolidated financial statements) and (2) a deferred payment agreement due in monthly installments of \$3,726 (commencing October 1, 1971) with interest at 10% per annum.

6. Contingencies and Commitments

The Company previously commenced an action to collect an advance (which has been fully reserved) made by the Company pursuant to a proposed acquisition which has since been discontinued. A counterclaim in the amount of \$100,000 has been filed in this action. In the opinion of counsel to the Company, the claim is bona fide and the counterclaim is without merit.

A claim, in the amount of \$231,797, has been made against the Company by a former employee alleging a breach of an employment agreement. The Company has filed an answer and counterclaim in this action, commenced in 1967, denying any liability. Based on information furnished by the Company, counsel to the Company believes there is a meritorious defense to this claim.

The Company may be required to repurchase 76,666 shares of its Class A common stock at the option of the holders thereof. (See note 4 to consolidated financial statements.)

The Company has employment agreements with eight of its officers and employees for periods from one to three years which require, among other things, payment of annual compensation aggregating \$216,000. Certain of these agreements were entered into in conjunction with the business combination consummated after June 30, 1971.

Commitments for the purchase of computer time and rental of office space are generally for one year. As of June 30, 1971 these commitments for the following twelve months approximate \$123,000.

Certain shareholders have the right to request registration of Class A common stock under the Securities Act of 1933. The Company has agreed to absorb the costs of such registration.

7. Capital Stock, Options and Warrants

In accordance with the Company's qualified stock option plan, options may be granted to key employees prior to September 30, 1977 to purchase a maximum of 600,000 shares of Class A common stock at not less than fair market value at the date of grant. The options expire five years after date granted and are exercisable on a cumulative basis commencing with 25% after the first anniversary of the date granted and 25% in each year thereafter. At June 30, 1971, options were outstanding to purchase 24,750 shares (of which options for 18,349 shares were exercisable at that date) at option prices from \$1.67 to \$22.75 per share. There were no options exercised during the year but options covering 37,150 shares were cancelled. No charges are made to income in connection with the plan.

Warrants to purchase 75,000 shares of the Company's Class A common stock at prices from \$2.41 to \$4.50 per share are outstanding at June 30, 1971. Included in this total are warrants to purchase 45,000 shares issued in January 1971 to guarantors of the note payable. The warrants expire as follows: 30,000 in March 1973 and 45,000 in January 1974. (See Note 9 to consolidated financial statements for warrants to be issued subsequent to June 30, 1971 in connection with the note payable to bank.)

Class B common stock may be converted into Class A common stock on a share for share basis. The Company has reserved an aggregate of 203,225 shares of Class A stock for future conversion privileges of Class B stock and the exercise of outstanding stock options and warrants.

During the year, 25,000 shares of Class A common stock were sold and 29,000 shares of Class B common stock were converted into Class A.

Stock options and warrants to purchase common stock were not included in the calculation of loss per share. Their inclusion would have the effect of decreasing the loss per share.

8. Federal Income Taxes

At June 30, 1971 tax loss carryforwards of approximately \$1,837,000 were available to reduce future federal taxable income within the limitations of applicable regulations in the event that income prior to their expiration is sufficient to permit their utilization. The carryforwards will expire as follows:

1973	\$ 234,000
1974	272,000
1975	641,000
1976	690,000
	<u>\$1,837,000</u>

9. Subsequent Events Acquisitions

Subsequent to June 30, 1971 the Company entered into three separate business combinations. As of December 3, 1971, the Company consummated two of the three business combinations. The companies acquired were Information Company of America and Information Corporation of America and American Micromation Industries, Inc., the latter an affiliated company at June 30, 1971. The third business combination, namely, Venture Data Corporation, is dependent upon the approval of that company's stockholders prior to consummation. The Company issued 244,000 shares of Class A common stock in July 1971 for the acquisition of Information Company of America and Information Corporation of America and 123,621 shares of Class A common stock in November 1971 for the acquisition of American Micromation Industries, Inc. For the acquisition of Venture Data Corporation, the Company will

3i Company/Information Interscience Incorporated Notes to Consolidated Financial Statements

continued

issue the number of shares of Class A common stock which, when valued in accordance with the terms of the agreement, have a value of \$787,000 except that the number of shares to be issued shall not be less than 43,725 nor more than 87,450. These companies provide similar or related services to those of the Company. These acquisitions will be accounted for by the purchase method whereby the cost of each acquired company will be allocated to the assets acquired and liabilities assumed. It is expected that a significant amount of the aggregate acquisition cost will be assigned to intangible assets, which amounts will be ratably charged to operations in the succeeding years.

Completed Financing

On August 30, 1971 the Company sold convertible subordinated debentures in the amount of \$107,000 due 1986 with interest at 6% per annum.

The debentures are convertible into Class A common stock at the rate of \$17.50 per share. In November 1971, agreement was reached to extend the bank note payable as indicated in note 5 to consolidated financial statements. As a result of this agreement, the Company will issue certain guarantors warrants to purchase 35,000 shares of Class A common stock at \$2.00 per share. The warrants will expire three years from date of issue.

Additional Financing

The Company has received letters of intent from certain persons which provide for the issuance by the Company of Class A common stock and notes payable in an aggregate amount of at least \$475,000. The management of the Company believes this additional financing will be required for the continued operations of the Company.

The Board of Directors

3i Company/Information Interscience Incorporated

We have examined the consolidated balance sheet of 3i Company/Information Interscience Incorporated and subsidiaries as of June 30, 1971, and the related consolidated statements of loss, deficit, capital in excess of par value and source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of 3i Company/Information Interscience Incorporated and subsidiaries for the year ended June 30, 1970, which statements were examined by other accountants, whose report is subject to the realization of the carrying value of data bank licenses and investments in affiliated companies.

The balance sheet at June 30, 1971 includes an investment in an affiliated company at a cost of \$95,000 and data bank license costs of \$1,000,000 as discussed in Notes 2 and 4 to the financial statements, respectively. The recovery of these costs is dependent on the achievement of profitable operations by the affiliated company and the ability to successfully market the data bank service.

Management of the Company believes additional financing will be required for the continued operations of the Company. This additional financing is mentioned in Note 9 to the consolidated financial statements. Also, the Company may require cash to repurchase some or all of the Class A common stock issued to acquire the data bank license, as explained in Note 4 to the financial statements. The likelihood of the request to repurchase the shares cannot be determined at this time; however, such request would require the Company to make adequate arrangements to meet this commitment. Should the Company be unable to complete this intended financing or to meet this stock purchase commitment in accordance with the terms of the agreement, the continuity of the business, the realization of assets and order of maturity of liabilities of the Company may be affected.

In our opinion, subject to (1) the recovery of the cost of the investment in affiliated company and data bank license, (2) the completion of the additional financing required to continue the operations of the Company and (3) the completion of arrangements to meet the stock purchase commitment, if required, all as referred to in the preceding two paragraphs, the aforementioned financial statements present fairly the consolidated financial position of 3i Company/Information Interscience Incorporated and subsidiaries at June 30, 1971 and the consolidated results of their operations and the source and use of funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY

Philadelphia, Pennsylvania

October 1, 1971

(December 3, 1971 as to Notes 5 and 9)

AGREEMENT AND PLAN OF REORGANIZATION
dated April , 1969, by and among
3i Company-Information Interscience
Incorporated ("3i"), Scientific Litera-
ture Corporation ("Subsidiary"), Scien-
tific Literature Consultants, Inc.
("Corporation"), and S. Sim and Geraldine
Kessler ("Kessler").

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Exhibits

AGREEMENT AND PLAN OF REORGANIZATION

THIS AGREEMENT AND PLAN OF REORGANIZATION made this day of April, 1969, by and among 31 COMPANY-INFORMATION INTERSCIENCE INCORPORATED, a Pennsylvania corporation (hereinafter called "31") and SCIENTIFIC LITERATURE CORPORATION, a Pennsylvania corporation which is a wholly-owned subsidiary of 31 (hereinafter called "Subsidiary"), SCIENTIFIC LITERATURE CONSULTANTS, INC., a Pennsylvania corporation (hereinafter called "Corporation") and S. SIM and GERALDINE KESSLER (hereinafter individually and collectively called "Kessler").

W I T N E S S E T H :

WHEREAS, Corporation is engaged in the abstracting of scientific and medical reports, documents and other papers; and

WHEREAS, Corporation has a management contract (hereinafter called the "Management Agreement") with Medical Literature, Inc. (hereinafter called "MLI"), a company also engaged in the abstracting of scientific and medical reports, documents and other papers, to complete certain contracts for the preparation of abstracts, which contracts were originally let to MLI; and

WHEREAS, the parties wish to effect a reorganization through merger of Corporation into Subsidiary, solely in exchange for shares of 31 Common Stock, Class A of the par value of Ten Cents (\$0.10) per share (hereinafter called "31 Stock"), on the terms and conditions hereinafter set forth:

NOW, THEREFORE, in consideration of the premises

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and of the mutual covenants hereinafter set forth, the parties hereto, intending to be legally bound hereby, agree as follows:

1. The Plan of Merger. Contemporaneously with the execution of this Agreement and Plan of Reorganization, Subsidiary and Corporation have executed a Plan of Merger and Articles of Merger (hereinafter called the "Plan of Merger") providing for the merger of the Corporation into Subsidiary, pursuant to which Subsidiary will, on the Closing Date (as hereinafter defined), deliver 44,800 shares of 31 Stock to Kessler and the other shareholders of the Corporation (distributed among them in accordance with the shareholders' list more fully described in Paragraph 4(a) hereof).

2. Stock to be Delivered by Subsidiary. All shares of 31 Stock to be delivered pursuant to the Plan of Merger and this Agreement shall be duly authorized and, when issued, shall be validly issued and outstanding, and fully paid and non-assessable with no personal liability attaching to the ownership thereof. The shares to be delivered at the Closing are hereinafter referred to as "the Initial Shares" and any and all additional 31 Stock which may be delivered hereunder is hereinafter referred to as "Additional Shares".

3. Additional Stock to be Issued to Shareholders of Corporation. On or before October 31, 1971, Subsidiary shall cause to be issued and/or transferred to those persons who were the shareholders of the Corporation, as of the effective date of the merger, in proportion to their holdings of the Corporation as set forth in Paragraph 4(a) hereof, such Additional Shares of 31 Stock, up to a maximum of 44,800 shares,

as shall be determined in accordance with the provisions of Paragraph 15 below. The right of such persons to receive the additional shares shall not be assignable except by operation of law. 11 7-18

4. Representations, Warranties, Covenants and Agreements of Corporation and Kessler. As a material inducement to 3i and Subsidiary to enter into this Agreement and to close hereunder, Corporation and Kessler, jointly and severally, make the following representations, warranties, covenants and agreements to and with Subsidiary and 3i:

(a) Corporate Status and Authority; Outstanding Stock. Corporation is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania, and does not transact business in any other state. It has the corporate power to own its properties and to carry on its business as it is now being conducted. Corporation was incorporated under the laws of the Commonwealth of Pennsylvania on July 6, 1960, and has an authorized capital consisting of 1,000 shares of the par value of \$1.00 per share, of which all 1,000 shares are validly issued and outstanding, fully paid and non-assessable and are held by the following persons in the following amounts:

<u>Shareholder</u>	<u>Number of Shares</u>
S. Sim Kessler	501
Geraldine Kessler	239
S. Sim Kessler & Geraldine Kessler as joint tenants with right of survivorship	150
Jerome B. Appel	40
Lillian N. Appel	10

Jeanette Marks	30
Jack D. Greenberg	15
Esther Eisenstein	<u>15</u>
	1,000

(b) Financial Statements. The Balance Sheets of Corporation as at June 30, 1968, June 30, 1967 and June 30, 1966, and the profit and loss statements of Corporation for its fiscal years 1968, 1967 and 1966, copies of which are attached hereto as Exhibit "A", were prepared in accordance with generally accepted accounting principles and practices, consistently applied, and fairly and accurately present the financial position of Corporation as at their respective dates and the results of its operations for the periods covered by them.

(c) Tax Returns. The copies of United States Corporation Income Tax Returns for Corporation for the fiscal years 1965, 1966 and 1967, heretofore delivered to 31 by Corporation are true and correct copies of such tax returns as such returns were filed with the Internal Revenue Service, and none of such returns has been subsequently changed by amendment or as a result of any audit of such return.

(d) Subsidiaries and Participation in Joint Ventures. Corporation has no subsidiary corporation nor does it own any capital stock of any corporation. It is not a participant in any joint venture.

(e) Real Estate. Corporation has no interest in real estate except for a lease of approximately 1100 sq. ft. at the premises located at 37 S. 20th Street, Philadelphia,

Pennsylvania which terminates August 14, 1970 and involves an annual rental of \$4,860.00 which includes heat and electricity provided by the landlord. Said lease, a true and correct copy of which has been furnished to 31, is in good standing, valid and effective in accordance with its terms, and there is not under such lease any existing default, or event of default, or event which with notice or lapse of time or both would constitute a default and in respect of which Corporation has not taken adequate steps to prevent a default from occurring. The leased premises are in good operating condition and repair for Corporation's present business.

(f) Personal Property. Corporation has good and marketable title to all personal property, tangible and intangible, reflected on the June 30, 1968 Balance Sheet and to all other personal property owned by it, free and clear of all liens, mortgages, pledges, security interests, restrictions, prior assignments, encumbrances and claims of every kind. Corporation is the owner of all the personal property now located in or upon the premises occupied by it which is necessary for its business and of all personal property which it uses in the operation of its business except as indicated on Exhibit "B" hereto. All equipment, furniture and fixtures, and other tangible personal property of Corporation is in good condition and repair for the Corporation's operations and does not require any repairs other than normal routine maintenance to maintain it in such operating condition.

(g) Trademarks and Trademarks. The corporate name of Corporation is the only one which is used by it in the operation of its business. No claim has been asserted

against Corporation involving any conflict or claim of conflict of such tradename with the tradename or corporate name of others. To the best of the Corporation's knowledge, Corporation is the sole and exclusive owner of such tradename and has the sole and exclusive right to use such tradename. The trademarks used by Corporation in its business are the sole and exclusive property of Corporation to the best of its knowledge, and no claim has been asserted against Corporation involving any conflict or claim of conflict of any of such trademarks with the trademarks of others.

(h) Insurance. Corporation maintains adequate insurance for its business properties and operations. Such insurance is evidenced by policies bearing the numbers, for the terms, with the companies, in the amounts and providing the coverage, as more fully set forth in Exhibit "C", which is attached hereto. All premiums for such policies have been fully paid and all of such policies are in full force and effect.

(i) Assets and Liabilities. On the Closing Date, pursuant to the merger Subsidiary shall acquire good title to all of the properties and assets of Corporation, of every kind and character, real, personal or mixed, owned by it on the Closing Date, which shall include all properties and assets included in the balance sheet of Corporation as at June 30, 1968, a copy of which is attached hereto as part of Exhibit "A" (hereinafter called the "June 30, 1968 Balance Sheet"), except for such of those properties and assets as have been or may be disposed of or consumed in the ordinary course of business or with its consent after the date of

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such Balance Sheet and prior to the Closing Date, including but not limited to cash, notes, contract rights, accounts receivable, loans receivable, prepaid expenses, work-in-process, leaseholds and leasehold improvements, machinery, tools, furniture, equipment, tradenames, trademarks, trademark applications, patents, patent licenses, patent applications, copyrights, copyright licenses, copyright applications, insurance policies, trade secrets, data banks, files, forms, dictionaries, translating aides, customers' files and the name, good will and business of Corporation as a going concern. As of the date hereof, Corporation had no liabilities, whether related to tax or non-tax matters, known or unknown, due or not yet due, liquidated or unliquidated, absolute, fixed or contingent, or otherwise, except as and to the extent reflected in the June 30, 1968 Balance Sheet, unless incurred in the ordinary course of business since the balance sheet date and involving in the aggregate less than \$500.00. There is no indebtedness of any nature or character of Corporation to any of its officers, directors, shareholders or any affiliated or sister corporation.

(j) Contracts, Leases, Agreements and Other Commitments. Corporation is not a party to any written, oral or implied contract, agreement, lease or other commitment, including but not limited to any contract or agreement for the purchase or sale of merchandise or for the rendition of services, except for the following:

(1) The lease of real estate as described in Subparagraph (e) above;

(ii) The Management Agreement, a copy of which is attached hereto as Exhibit "D";

(iii) Other agreements which, in accordance with their terms, will be fully executed within ninety days after their respective dates in the ordinary course of business and involving, in the aggregate, a total consideration of less than \$500.00.

Corporation has performed all obligations required to be performed to date under all of its contracts and commitments and is not in default or in arrears under the terms thereof, and no condition exists or event has occurred which would constitute a default thereunder but for the giving of a notice or a lapse of time or both.

(k) Labor and Employment Contracts and Employee Benefit Programs. Without limiting the generality of Paragraph 4(j) hereof, Corporation is not a party to any collective bargaining agreement or employment agreement, except for an employment agreement with S. Sim Kessler attached hereto as Exhibit "F", nor is a party to any pending or other labor dispute of which it has notice. Corporation, in the performance of all its contracts to date and in any other endeavors in which it has or is presently engaging and in connection with its performance of work for MLI under the Management Agreement and each of the individual contracts covered thereby, has complied with all applicable Federal and state laws relating to the employment of labor, including but not limited to the provisions thereof relative to wages, hours, collective bargaining, and payment of Social

Security taxes and is not liable for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing. Corporation has no written or oral retirement, pension, profit sharing, stock option, bonus, hospitalization, vacation or other employee benefit plan, practice, agreement or understanding other than as set forth in Exhibit "E" hereto. All employees of Corporation are paid weekly or hourly salaries and wages. There is no employee of Corporation whose employment is not terminable at will, except as provided in Exhibit "F".

(1) Litigation. Corporation is not a party to nor has it received notice of any threatened suit, action, claim, arbitration, administrative or other proceeding, as a result of any of its actions or operations, including its performance of individual contracts contemplated by the Management Agreement. Neither Kessler nor MLI is a party to nor have they, or either of them, received any notice of any suit, action, claim, arbitration, administrative or other proceeding in connection with MLI's performance of any of the individual contracts contemplated by the Management Agreement. There is no judgment award or order outstanding against Corporation. Corporation has not threatened and is not contemplating the institution of any suit, action, arbitration, administrative or other proceeding.

(m) Compliance with Law and Other Regulations. Corporation is in compliance with all requirements of law, Federal, state and local, and all requirements of all governmental bodies or agencies having jurisdiction over it, the conduct of its business, the use of its properties and assets, and all premises occupied by it, and, without limiting the

foregoing, Corporation has all required licenses, permits, certificates, and authorizations needed for the conduct of its business and the use of its properties and all premises occupied by it. At Closing, Corporation will not be subject to the possibility of a fine as the result of any act or omission occurring on or before Closing. Corporation has not received any notice, not heretofore complied with, from any Federal, or municipal authority or any insurance or inspection body that any of its properties, facilities, equipment, or business procedures or practices, fails to comply with any applicable law, ordinance, regulation, building or zoning law, or requirement of any public authority or body.

(n) Agreement Not in Breach of Other Instruments.

The execution and delivery of this Agreement, the consummation of the merger into Subsidiary and all other transactions provided for herein and the fulfillment of the terms hereof will not result in the breach of any of the terms and provisions of, or constitute a default under, or conflict with, any agreement, indenture or other instrument to which Corporation or Kessler is bound, the Articles of Incorporation or By-Laws of Corporation, any judgment, decree, order or award of any court, governmental body or arbitrator, or any applicable law, rule or regulation.

(o) No Payments to Shareholders or Others.

Since January 1, 1968 there has not been any purchase or redemption of any shares of its stock by Corporation or any distribution or payment by it, directly or indirectly, of any money or other property to its shareholders, directors, officers, employees or to any other person, other than payment

of compensation for services actually rendered and payments in the ordinary course of business for goods or services in arm's length transactions and at rates not in excess of those prevailing on December 31, 1968, and other than loans which have prior to the date hereof been repaid to Corporation. Notwithstanding the foregoing, the parties acknowledge that Corporation and S. Sim Kessler entered into an employment agreement on February 1, 1969, a copy of which is attached hereto as Exhibit "F", providing for compensation in excess of the rate paid to him on December 31, 1968.

(p) Filing of Tax Returns. Corporation has filed all Federal, state and local governmental tax returns required by it to be filed in accordance with provisions of law pertaining thereto and has paid all taxes and assessments (including, without limitation of the foregoing, income, excise, unemployment, Social Security, occupation, franchise, property, sales and use taxes, import duties or charges, and all penalties and interest in respect thereof) due or required by it to have been paid to date.

(q) Action in the Ordinary Course of Business.
Since September 30, 1968:

(i) no action has been taken by Corporation outside of the ordinary and usual course of business, and no money has been borrowed by it.

(ii) Corporation has not transferred any assets without the express consent of SI in writing.

(iii) Corporation has paid all of its debts and obligations as they became due and has not incurred any

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debt, liability or obligation of any nature to any party except for obligations arising from the purchase of goods or the rendition of services in the ordinary course of business.

(iv) Corporation has not knowingly waived any right of substantial value and has used its best efforts to preserve its business organization intact, to keep available the services of its employees, and to preserve the good will of its customers, suppliers and others having business or relationships with it.

(r) No Adverse Change. Since December 31, 1968, there has not been and there is not presently threatened any adverse change in the financial condition or business of Corporation involving more than \$500.00 or any physical damage or loss to any of its properties or assets or to the premises occupied by it (unless such damage or loss is fully covered by insurance), except as set forth on Exhibit "G" heretc.

(s) Statements and Other Documents Not Misleading. Neither this Agreement, including all exhibits hereto, nor the closing documents, nor any other financial statement, document, representation, or other instrument heretofore or hereafter furnished by Kessler or Corporation to 3i in connection with the transactions contemplated hereby and stated to be so furnished contains or will contain any untrue statement of fact or omits to state a material fact required to be stated in order to make such statement, document or other instrument not misleading.

(t) Employment Agreement. The employment agreement between Corporation and S. Sim Kessler is in the form attached hereto as Exhibit "F". This employment agreement has been duly executed and entered into by Corporation and S. Sim Kessler and is valid and binding on the parties thereto in accordance with its terms, and there is not under such agreement an existing default, or event of default, or event which with notice or lapse of time or both would constitute a default.

(u) Management Agreement. The Management Agreement has been duly executed and entered into by Corporation and MLI and is a valid and binding obligation on the parties thereto in accordance with its terms, and there are no disputes, claims or controversies among either of the parties thereto regarding the scope, performance or interpretation of such Agreement or the payment of any sums provided to be paid thereunder. The Management Agreement and the performance thereof does not violate the provisions of the Charter or By-Laws of either party thereto, or constitute a default under, or conflict with, any agreement, indenture or other instrument to which Corporation or MLI is bound, any judgment, decree, order or award of any court, governmental body or arbitrator, any term of the individual contracts covered thereby, or any applicable law, rule or regulation.

(v) Contracts of MLI. With regard to all individual contracts of MLI which Corporation is now or will be performing under the Management Agreement, MLI has performed all obligations required to be performed to date under all

of such contracts and neither Corporation nor MLI is in arrears under the terms thereof, and there is not under any of such contracts any existing default, or event of default, or event which, with notice or lapse of time or both would constitute a default, and in respect of which Corporation has not taken adequate steps to prevent a default from occurring. All such individual contracts are valid and binding obligations on the parties thereto in accordance with their terms and there are no disputes, claims or controversies among any of the parties thereto regarding the scope, performance or interpretation of any such contract or the payment of any sums provided to be paid thereunder. In addition, such contracts are lawful and are presently in full force and effect and the performance of each party's obligations and the payment of all monies to be paid thereunder do not violate the terms and provisions of any other document or documents, or of any law, rule or regulation. This Agreement and the transactions to be consummated hereunder will not adversely affect the validity or enforceability of any of said individual contracts or the payment of sums due MLI hereunder. The performance of such individual contracts is assignable by MLI to Corporation and such consents to assignment as may be required under the terms thereof shall be obtained by Corporation within ninety (90) days of Closing.

(w) Transactions Between Corporation and MLI.

As of Closing there will be no contracts, agreements or other commitments, nor have there been since December 31, 1963 any transfers, assignments, conveyances or transactions of any kind or character, between Corporation and MLI or to which

both are parties other than the Management Agreement and other than loans which have been paid and repayments of loans previously outstanding.

(x) Liabilities of Corporation Arising Out of Agreements or Transactions with MLI. Without limiting the generality of Paragraph 4(1) hereof, Corporation neither has nor will have any liability in any amount or of any kind or character, whether related to tax or non-tax matters, resulting from or arising in connection with agreements, commitments or any other transactions, whether past or presently in force or effect, among Corporation, Kessler and MLI, or any of them, or to which any of them were parties, on account of the fact that MLI is a non-profit corporation.

5. Representations, Warranties, and Agreements of 31. As a material inducement to Corporation and Kessler to enter into this Agreement, 31 makes the following representations, warranties and agreements to and with Corporation and Kessler:

(a) Corporate Status and Authority. 31 is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and has the corporate power to form Subsidiary and complete the merger provided hereunder. The authorized capital stock of 31, as of the date hereof, consists of 3,000,000 shares of Common Stock, Class A, of the par value of \$.10 per share, and 300,000 shares of Common Stock, Class B, of the par value of \$.10 per share, of which 1,258,902 shares of Common Stock, Class A and 114,771 shares of Common Stock, Class B are validly

issued and outstanding, fully paid and non-assessable on the date hereof in addition to certain outstanding options for shares of Common Stock, Class A under 31's Qualified Stock Option Plan and warrants to purchase 30,000 shares of Common Stock, Class A. At the Closing Date the execution, delivery and performance of this Agreement by Subsidiary and 31 will have been duly authorized by all necessary corporate action on the part of 31, and this Agreement will constitute the *and Subsidiary* valid and binding obligation of Subsidiary and 31, in accordance with its terms. *It d*

(b) Agreement Not in Breach of Other Instruments.

The execution and delivery of this Agreement, the consummation of the transaction provided for herein and the fulfillment of the terms hereof will not result in the breach of any of the terms and provisions of, or constitute a default under, or conflict with, 31's Articles of Incorporation or By-laws, or any judgment, decree, order or award of any court, governmental body or arbitrator, or any applicable law, rule or regulation of which 31 and its counsel have notice.

(c) Stock Validly Issued. The shares of 31 Stock, to be issued and delivered to Corporation hereunder shall be duly authorized and, when issued, shall be validly issued and outstanding, fully paid and non-assessable, free and clear of all liens, restrictions and encumbrances except as provided in Paragraphs 12 and 13 below.

(d) No Material Adverse Change. There has not been any material adverse change in the financial condition or earnings of 31 from the date of the unaudited figures

contained in a Form 9(M) filed by 31 with the Securities and

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Exchange Commission for the six (6) month period ended December 31, 1968, a copy of which has been or will, before Closing, be delivered to Corporation. Since December 31, 1968, 31 has not suffered any material physical damage or loss to any of its properties or assets or to the premises occupied by it (unless such damage or loss is adequately covered by insurance). The term "material adverse change" shall not refer to the status of any acquisition or contract negotiations in which 31 may, at any time, be engaged, concerning which 31 expressly makes no warranty herein.

(e) Financial Statements. To the best of 31's

knowledge, the consolidated balance sheet of 31 as at June 30, 1968 and the consolidated profit and loss statement for fiscal 1968, copies of which have heretofore been delivered to Corporation, were prepared in accordance with generally accepted accounting principles and practices, consistently applied, and fairly and accurately present the financial condition of 31 at such date and the results of its operations for the period covered thereby.

(f) No Additional Warranties by 31. Corpora-

tion and Kessler hereby acknowledge that 31 is making no other representations or warranties to them other than those contained in Subparagraphs 5(a)-(e) above, and that, in particular, 31 makes no representations or warranties as to its business, financial condition or operations except as otherwise provided herein. 31 has given Kessler a copy of its annual report, its prospectus, dated February 26, 1968, and other materials describing or relating to 31's business, financial condition,

management and operations solely for information purposes.

and makes no warranty of any kind regarding the accuracy or completeness of any statement or figures contained therein, except as otherwise stated in this Paragraph 5.

6. Continuation and Survival of Representations and Warranties. All representations and warranties made in this Agreement and in any certificates delivered pursuant hereto or in connection herewith and stated to be so furnished shall continue to be true and correct at and as of the Closing Date and at all times between the signing of this Agreement and the Closing Date, as if made at each of such times, and shall survive the consummation of the transactions provided for in this Agreement.

7. Additional Covenants Before Closing.

(a) 3i Inspection Rights. Corporation shall make available to 3i and its designated representatives, for inspection at any time during regular business hours, all assets, documents, books and records relating to its business. 3i and its representatives will, to the extent possible, hold in confidence the data and information supplied by Corporation and, in the event the transaction contemplated by this Agreement is not consummated, such data and information will not be used by 3i and shall be returned to Corporation.

(b) Conduct of Business. Corporation agrees that between the date hereof and the Closing Date, it will:

(1) Continue to conduct its business in the ordinary and usual manner;

(ii) Use its best efforts to preserve its

business organization intact, to keep available the services of its employees and preserve the good will of its customers, suppliers and others having business relationships with it;

(iii) Pay all of its debts and obligations as they become due;

(iv) Not issue, sell, transfer, hypothecate, pledge or otherwise dispose of any of its capital stock or assets except in the ordinary and usual course of business, nor be a party to any merger, consolidation, sale, reorganization or dissolution;

(v) Not pay any dividend or make any other distribution to shareholders, officers or directors, except for services rendered in the ordinary course at rates prevailing on September 30, 1968 and except for the salary of S. Sim Kessler payable under the employment agreement attached hereto as Exhibit "F".

(vi) Not suffer any damage, destruction or loss to any of its properties or assets in an aggregate amount of \$500.00 (whether or not covered by insurance);

(vii) Not enter into any contracts or agreements, or prepay any insurance or expenses, except in the ordinary course of business and involving an aggregate amount greater than \$500.00, without the express consent of 31 in writing;

(viii) Not suffer any adverse change in the condition (financial or otherwise) of its assets, liabilities or business involving more than \$500.00;

(ix) Not incur any debt, liability or obligation of any nature to any party except for obligations arising from the purchase of goods or rendition of services in the ordinary course of business;

(x) Not increase the compensation payable to any officer, employee or agent or pay any bonus or other unusual compensation to any such person;

(xi) Not terminate any existing contract, lease or other commitment without the express consent of 3i in writing.

(xii) Not reveal, orally or in writing, to any other party, other than 3i and 3i's authorized agents, any of the business procedures and practices followed by it in the conduct of its business;

(xiii) Not take, suffer or permit any action which would render untrue any of the warranties of Corporation or Kessler contained herein, and not omit to take any action, the omission of which would render untrue such representation or warranty.

8. Conditions Precedent to 3i's Obligation To Close.

The following shall be conditions precedent to the obligation of 3i to close hereunder, any or all of which may be waived by 3i:

(a) Each of the representations and warranties of Corporation or Kessler contained in this Agreement is now, and at Closing will be, true and correct.

(b) Each of the agreements, covenants and undertakings of Kessler contained in this Agreement, except for those calling for performance after Closing, will have been fully performed and complied with at or before Closing.

(c) No adverse change in excess, in the aggregate, of \$500.00, in the condition, assets or liabilities or business of Corporation shall have occurred between the date hereof and Closing.

(d) All indebtedness owing to Corporation by any director, officer, shareholder or affiliated or sister corporation or MLI will be paid at or prior to Closing.

(e) From the date hereof to the Closing Date, no action shall have been taken by Corporation outside of the ordinary and usual course of business.

(f) No litigation, governmental action, other proceedings or claims shall be threatened in good faith or commenced against Corporation or Kessler with respect to any matter, or against MLI with respect to the Management Agreement or any individual contract covered thereby, or against any person with respect to the consummation of the transactions provided for herein.

(g) All actions, proceedings, instruments and documents required to perform this Agreement or incident thereto, and all other legal matters, shall have been approved by Messrs. Wolf, Block, Schorr and Solis-Cohen, counsel for 31.

(h) All accountants and legal opinions required

to be furnished by Corporation or Kessler or their counsel

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at or prior to Closing shall have been delivered or shall be tendered at the time and place of Closing.

(1) S. Sim Kessler shall be performing services for Corporation in accordance with the terms of his employment agreement, which agreement is in the form attached hereto as Exhibit "5", and will be ready, willing and able at the time of Closing to perform such services for and on behalf of Subsidiary on a full-time basis as provided therein, without having suffered any material disability or incapacity, physical or mental, which is reasonably likely to affect his ability to render full-time services to Subsidiary following Closing.

(j) This Agreement and the transactions provided for herein shall have been duly and validly approved by the shareholders of Corporation within five days after the date hereof, with a certified copy of resolutions adopted by said shareholders being delivered to 31 within two days thereafter. Such resolutions shall note unanimous consent of Corporation's shareholders and the absence of any exercise of dissenter's rights.

9. Conditions Precedent to Corporation or Kessler's Obligation to Close. The following shall be conditions precedent to the obligation of Corporation and Kessler to close hereunder, any or all of which may be waived by Corporation and Kessler:

(a) Each of the representations and warranties of 31 contained in this Agreement is now, and at Closing will be, true and correct.

(b) Each of the agreements, covenants, and undertakings of 31 contained in this Agreement, except for those calling for performance after closing, will have been

fully performed and complied with at or before Closing.

(c) No litigation, governmental action or other proceedings shall be threatened in good faith or commenced against 31 with respect to the consummation of the transaction provided for herein.

(d) All documents required to be delivered by 31 at or prior to Closing shall have been delivered or shall be tendered at the time and place of Closing.

10. Closing.

(a) Determination of Closing Date. The Closing of the transaction provided for in this Agreement (herein sometimes called the "Closing") shall take place as follows:

(1) Upon 31's receipt of notification from the Corporation Bureau in the Office of the Secretary of the Commonwealth of Pennsylvania ("The Bureau") that the form of Articles and Plan of Merger which the parties have previously submitted are acceptable for filing, the parties will, as promptly as possible, execute such Articles and Plan of Merger and submit them in final form for filing.

(11) Upon 31's receipt of notification from the Bureau that such Articles and Plan of Merger, as executed by the parties, have been so filed, the parties will, as promptly as possible, meet and execute and exchange such Closing documents, including stock certificates, as may be necessary for, or required by, this Agreement and the Plan of Merger; the date on which such exchange takes place is sometimes herein called the "Closing Date".

11. In the event the parties fail to consummate the transaction...

May 2, 1969, or a date prior thereto, 31 agrees that, if the "Closing Price" (as hereinafter defined) of the 31 Stock falls below what would have been the Closing Price for such stock, had the Closing Date, in fact, been Friday, May 2, 1969, 31 will issue to Corporation's shareholders such supplemental shares of 31 Stock, valued at the Closing Price on the Closing Date, as shall be equal to the difference between the Dollar Value of 44,800 shares of 31 Stock, valued at the Closing Price on Friday, May 2, 1969, and the Dollar Value of 44,800 shares of 31 Stock, valued at the Closing Price on the Closing Date. Any such supplemental shares issued pursuant hereto shall be legended, as specified in Paragraph 13, in the same proportions as the shares are legended therein and shall be divided between shares issued outright to Corporation's shareholders and shares placed in escrow pursuant to Subparagraph 14(a) in the ratio of 5 to 2. The Closing Price, as used above, shall be the average between the high Bid and low Asked price of the 31 Stock on the over-the-counter market (as determined by the average of all such prices quoted in the "pink sheets") on the Closing Date.

(b) Deliveries by Corporation at Closing. At Closing, Corporation will deliver or cause to be delivered to the Subsidiary the following:

(i) Such instruments of assignment and other instruments and documents as may be necessary to assure to the Subsidiary title to all of the assets and properties of Corporation.

(ii) The Certificate of the President and Treasurer of Corporation confirming the truth and correctness of all of the representations and warranties of Corporation contained herein as of the Closing Date and as of all times between the date hereof and the Closing Date.

(iii) The Certificate of the Secretary of Corporation that all necessary corporate action by the directors and by the shareholders of Corporation has been taken to authorize or ratify the making of this Agreement by such Corporation and to authorize the consummation of the transaction provided for herein and in the Plan of Merger. Such certificate shall set forth verbatim the resolutions adopted by the directors and the shareholders.

(iv) The written consents to assignment of all parties whose written consent is necessary to the continued effectiveness and validity, after assignment as provided herein, of all contracts, agreements or leases to which Corporation is a party, except for the consents to assignment of performance of the individual contracts contemplated by the Management Agreement, which consents Corporation shall obtain within ninety (90) days after Closing.

(v) All of the books, records and files of Corporation, including records of purchases and records pertaining to employees.

(vi) Such documents as may be necessary to transfer to the Subsidiary, insofar as it may be legally possible to do so, all rights of Corporation in and to all telephone numbers and directory listings used by it in its business.

(vii) All licenses, permits, certificates and other authorizations held by Corporation which are required by any public authority.

(viii) The opinions of Messrs. Dechert, Price and Rhoads, counsel for Corporation and Kessler, dated the date of Closing, in the forms attached hereto as Exhibit "H" and Exhibit "I".

(ix) Such other certificates, statements or other information as 3i or its Counsel shall request before Closing.

(c) Deliveries by 3i at Closing. At the Closing, 3i will deliver or cause to be delivered to Corporation the following:

(i) Certificates for 44,800 shares of duly authorized, validly issued, fully paid and non-assessable 3i Common Stock, Class A, registered in the names of the various shareholders of Corporation in proportion to their respective interests as described in Paragraph 4(a) hereof.

(ii) The Certificate of the President or

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a Vice-President and the Treasurer or Assistant Treasurer of 3i confirming the truth and correctness of all of the representations and warranties of 3i contained herein as of the Closing Date and as of all times between the date hereof and the Closing Date.

(iii) The Certificate of the Secretary or Assistant Secretary of 3i and the Certificate of the Secretary or Assistant Secretary of the Subsidiary that the necessary corporate action respectively by the Directors of 3i and of Subsidiary has been taken to authorize or ratify the making of this Agreement and to authorize the consummation of the transaction provided for herein. Each Certificate shall set forth verbatim the resolutions adopted by the Directors of the respective corporations.

(iv) The opinion of Messrs. Wolf, Block, Schorr and Solis-Cohen, counsel for 3i, dated the date of Closing, as to the following matters:

A. The accuracy of the representations and warranties of 3i set forth in Subparagraphs 5(a), 5(b) and 5(c).

B. The execution, delivery and performance of the Agreement and Plan of Reorganization by 3i have been duly authorized by all necessary corporate action on the part of 3i and Subsidiary, and such Agreement constitutes the valid and binding obligation of 3i and Subsidiary in accordance with its terms.

11. Indemnification of 31.

(a) Basic Provision. Kessler agrees to indemnify and hold harmless 31 and Subsidiary, their successors and assigns from, against and in respect of the amounts of Post-Closing Deficiencies (as hereinafter defined).

(b) Definition of "Post-Closing Deficiencies".

As used in this Paragraph 11, "Post-Closing Deficiencies" means:

(i) Any and all loss or damage resulting from any misrepresentation, breach of warranty, or any non-fulfillment of any warranty, representation, covenant or agreement on the part of Corporation and/or Kessler contained herein;

(ii) Any and all loss or damage resulting from any error contained in any statement, report, certificate or other document or instrument delivered to 31 pursuant to this Agreement and stated to be so furnished or contained in any exhibit to this Agreement.

(iii) Any and all loss or damage resulting to 31 or Subsidiary or to the assets of Corporation by reason of any claim, debt, liability or obligation or any alleged claim, debt, liability or obligation of Corporation not expressly disclosed herein;

(iv) Any and all assessments, judgments, reasonable attorneys' fees, costs and expenses incident to any of the foregoing.

Notwithstanding the foregoing, however, no Post-

Closing Deficiencies shall be deemed to exist except to the

extent that the foregoing exceed, in the aggregate, \$1,000.00 and except if a claim be asserted or action brought based thereon (other than a claim or action based on past-due taxes on which there shall be no limit on the time such a Post-Closing Deficiency may be asserted) within seven (7) years from the date of Closing hereunder.

(c) Procedures for Establishment of Post-Closing Deficiencies.

(1) In the event that any claim shall be asserted by any party against 31, the Subsidiary or against any of the assets transferred pursuant hereto, which if sustained, would result in a Post-Closing Deficiency, 31 within a reasonable time after learning of such claim, shall notify Kessler, of such claim and shall extend to Kessler a reasonable opportunity to defend or to participate in the defense against such claim, at his sole expense, provided that Kessler proceeds in good faith, expeditiously and diligently. No determination shall be made pursuant to clause (ii) below while such defense is still being made until the earlier of (A) the resolution of said claim by Kessler with the claimant, or (B) the termination of the defense by Kessler against such claim. 31 shall be entitled to rely upon the opinion of its counsel as to the occurrence of either of said events.

(ii) In the event that 31 asserts the existence of any Post-Closing Deficiency, 31 shall give written notice to Kessler of the nature and amount of the Post-Closing Deficiency. If Kessler, within a period of thirty days after the mailing of 31's notice, shall not give written

4(a) will not transfer, or make any distribution of, any shares of 3i Stock to be issued pursuant to the terms of this Agreement and the Plan of Merger, or any interest therein, in violation of the Securities Act of 1933 (the "Act"). All certificates for 3i Stock to be issued to Kessler may be endorsed with a legend in substantially the following form and he will comply with the terms thereof:

"These shares have not been registered under the Securities Act of 1933. These shares may not be transferred by the holder unless, in the opinion of counsel who is satisfactory to the issuer and its counsel, such transfer will not violate the registration provisions of such Act."

(b) Registration Rights of Kessler. If Kessler is unable to dispose of any 3i Stock, to be received by him upon consummation of the Plan of Merger or to be received by him on or before October 31, 1971 as additional consideration provided hereunder, under and in accordance with Rule 133 promulgated by the Securities and Exchange Commission (the "Commission") under the Act because of any stop order, rule or other action taken by the Commission, then Kessler, subject to the provisions of Paragraph 13, shall have the following registration rights:

(1) Rights of Kessler to Participate in a 3i Registration. If at any time after April 30, 1970, 3i proposes to file any Registration Statement under the Act on a form which could be used for the registration of the stock of 3i held by Kessler, it shall give Kessler thirty (30) days written notice of its intention to file such Registration Statement, and Kessler may elect to have such part of his 3i Stock as would not violate his covenant contained in Paragraph 13 below, relating to 3i's treatment of this

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transaction as a "pooling of interests" for accounting purposes, included in the Registration Statement by making a written request therefor, which request is received by 31 within fifteen (15) days after Kessler's receipt of 31's notice. In such event Kessler shall bear that portion of the legal, accounting and printing expenses of the registration and selling of the 31 Stock as is determined by the ratio of the number of shares being registered on his behalf to the total number of shares being registered.

(ii) Information. In any instance in which 31 Stock held by Kessler is being registered under the Act, Kessler shall supply such information as 31 may reasonably request for completion of the Registration Statement and 31 and Kessler shall, at the time such registration statement is filed, enter into cross-indemnity agreements by which each indemnifying party will indemnify the other (and its associated persons who may be liable under Sections 11 and 15 of the Act) against liability for any material deficiency in the information supplied by the indemnifying party for use in the registration statement. Such cross-indemnity agreements shall be in the customary form then being used by the firm of Elyth & Co., Inc.

(iii) Further Rights of Kessler. In connection with any registration statement filed by 31 and covering shares of Kessler:

(A) 31 will use its best efforts to keep the registration statement and prospectus current, by amendment or supplement as required by law, until the dis-

tribution of Kessler's shares is complete, but, in no event, longer than six (6) months. 3i will furnish Kessler with a reasonable number of current prospectuses for use as required by law throughout the period as well as a reasonable number of preliminary prospectuses, as he may request;

(B) 3i will register or qualify Kessler's shares of stock to be sold under the Securities and Blue Sky Laws of such states as Kessler may reasonably request, provided that if Kessler requests registration or qualification in any state other than those in which 3i proposes to register or qualify the other shares being sold, such registration or qualification of Kessler's shares in the particular state shall be at Kessler's sole expense;

(C) In the event that Kessler sells or transfers all of the 3i Stock to be received by him to one transferee, such transferee, as an incident to the transfer, shall receive Kessler's registration rights provided herein. In the event that Kessler sells or transfers less than all of such stock, or sells or transfers such stock to more than one transferee, Kessler shall designate, at the time of each such transfer, whether the transferee is to receive the registration rights granted to Kessler herein. Kessler may only transfer his registration rights to one transferee, and, upon such transfer, Kessler may not transfer to any other person any of the registration rights granted to him hereunder and all of his registration rights hereunder shall be extinguished.

13. Pooling of Interests; Further Restrictions on Stock to be Received by Kessler.

(a) Corporation acknowledges that the transactions provided for herein will be treated by 31 as a "pooling of interests" for accounting purposes and that such accounting treatment requires a substantial continuity of equity interest by the shareholders of Corporation. In view of the foregoing, Corporation and Kessler agree that:

(1) the stock certificates for twenty-five percent (25%) of the Initial Shares shall bear no legend.

(11) the stock certificates for 10,000 Initial Shares shall bear the following legend:

"The shares represented by this certificate are subject to the terms and provisions of an Agreement and Plan of Reorganization by and among the issuer and Scientific Literature Corporation, Scientific Literature Consultants, Inc., and S. Sim and Geraldine Kessler dated April 25, 1969 and may not be transferred prior to May 1, 1970."

(111) the stock certificates for the remaining Initial Shares, not registered in the name of Kessler, shall bear the following legend:

"The shares represented by this certificate are subject to the terms and provisions of an Agreement and Plan of Reorganization by and among the issuer and Scientific Literature Corporation, Scientific Literature Consultants, Inc., and S. Sim and Geraldine Kessler dated April 25, 1969 and may not be transferred prior to May 1, 1971."

(b) In addition to the above, Kessler agrees that the stock certificates for Initial and Additional Shares, registered in the name of Kessler, shall be subject to the following further restrictions on transfer:

(1) the stock certificates for 4,806 Initial Shares so registered, not bearing the following legend:

in subparagraph 13(a), shall bear the following legend:

"The shares represented by this certificate are subject to the terms and provisions of an Agreement and Plan of Reorganization by and among the issuer and Scientific Literature Corporation, Scientific Literature Consultants, Inc., and S. Sim and Geraldine Kessler dated April 25, 1969 and may not be transferred prior to May 1, 1971"

(ii) the stock certificates for an additional 4,806 Initial Shares so registered not bearing a legend in the form specified in subparagraphs 13(a) or 13(b)(i), shall bear the following legend:

"The shares represented by this certificate are subject to the terms and provisions of an Agreement and Plan of Reorganization by and among the issuer and Scientific Literature Corporation, Scientific Literature Consultants, Inc., and S. Sim and Geraldine Kessler dated April 25, 1969 and may not be transferred prior to January 1, 1972".

(iii) the stock certificates for the remaining Initial Shares so registered shall bear the following legend:

"The shares represented by this certificate are subject to the terms and provisions of an Agreement and Plan of Reorganization by and among the issuer and Scientific Literature Corporation, Scientific Literature Consultants, Inc., and S. Sim and Geraldine Kessler dated April 25, 1969 and may not be transferred prior to January 1, 1973".

(iv) the stock certificates for the first 5,000 Additional Shares so registered, if any be issued, shall bear the following legend:

"The shares represented by this certificate are subject to the terms and provisions of an Agreement and Plan of Reorganization by and among the issuer and Scientific Literature Corporation, Scientific Literature Consultants, Inc., and S. Sim and Geraldine Kessler dated April 25, 1969 and may not be transferred prior to January 1, 1972".

(v) the stock certificates for a further 5,000 Additional Shares so registered (if any be issued) shall bear the following legend:

"The shares represented by this certificate are subject to the terms and provisions of an Agreement and Plan of Reorganization by and among the issuer and Scientific Literature Corporation, Scientific Literature Consultants, Inc., and S. Sim and Geraldine Kessler dated April 25, 1969 and may not be transferred prior to January 1, 1973".

(vi) the stock certificates for the remaining Additional Shares so registered shall bear the following legend:

"The shares represented by this certificate are subject to the terms and provisions of an Agreement and Plan of Reorganization by and among the issuer and Scientific Literature Corporation, Scientific Literature Consultants, Inc., and S. Sim and Geraldine Kessler dated April 1969 and may not be transferred prior to January 1, 1974."

14. Covenants and Agreements of Corporation after Closing.

(a) Creation of Escrow Fund. Immediately after Closing, Corporation will deliver 12,800 of the Initial Shares, duly endorsed in blank or with irrevocable stock powers attached duly endorsed in blank and with the customary signature guarantees required by the escrow agent hereunder to The Fidelity Bank as Escrow Agent hereunder or to such other bank as Si shall designate at Closing, to be held by such bank in escrow until October 31, 1971, or such earlier date as the parties hereto shall agree. At such time the shares so held shall be re-delivered to Corporation's shareholders pro rata or transferred to Si, or shall be divided between them, as the case may be, by Escrow Agent in accordance with the terms of Paragraph 15 below.

(b) Rights of Kessler in Shares Held in Escrow. During such time as Si Stock registered in the name of Kessler and other Corporation shareholders is held in escrow hereunder, provided that Corporation is not then in default hereof, Kessler shall be entitled to direct Escrow Agent as to the manner of voting such shares in the escrow fund for all purposes, and all dividends or other distributions thereon shall belong absolutely to Kessler for his own benefit and for the benefit of others of Corporation's shareholders pro rata. The parties

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agree to execute any and all necessary agreements with Escrow Agent to make provision for and to evidence the escrow arrangements set forth herein.

(c) Merger of Corporation. All shares in escrow, upon the merger of Corporation into Subsidiary, shall be re-registered in the name of S. Sim Kessler, as attorney-in-fact for all shareholders of Corporation and redeposited in escrow, endorsed in blank or with irrevocable stock powers attached, endorsed in blank, with the customary signature guarantees required by Escrow Agent and held pursuant to the terms of this Agreement until the termination of such escrow fund. Thereafter such shares shall be delivered or transferred as provided in Paragraph 15 hereof.

15. Additional Consideration Based on Subsidiary's Earnings.

(a) Performance of Contracts. After the Closing provided for herein and until June 30, 1971:

(1) Subject to the terms of this paragraph 15, Subsidiary shall have the right to perform each United States Federal government contract obtained by 3i or any of its other subsidiaries or affiliates if, but only if:

(A) such contract involves abstracting, indexing, scanning or any variations thereof; and

(B) such contract requires any of the above operations to be performed on scientific or medical literature; and

(C) such contract involves only an insignificant amount of data processing and does not involve computer orientation or the use of computerized techniques; and

(D) Subsidiary holds the necessary security clearance for performance of the contract at the time it is awarded; and

(E) Subsidiary has or can obtain the necessary personnel both in number and kind to fully perform such contract.

To the extent of Subsidiary's performance of contracts meeting the above conditions, the earnings and expenses with respect to any such contract shall accrue to Subsidiary.

(11) All contracts presently being performed by 3i and all awards of contracts presently being applied for by 3i which would otherwise be includible within Subparagraph 15(a)(1) above shall be specifically excluded therefrom and no part of the earnings of such contracts shall accrue to Subsidiary.

(111) All extensions or renewals of contracts presently being performed or applied for by 3i which would otherwise be includible within Subparagraph 15(a)(1) shall be so included.

(iv) All contracts now being performed or applied for by companies which 3i, its other subsidiaries or affiliates, may in any manner acquire at any time, and all extensions, and renewals of such contracts which would otherwise

be includible in Subparagraph 15(a)(1) shall be specifically exempted therefrom and no part of the earnings of such contracts, extensions or renewals shall accrue to Subsidiary.

(v) Both 3i, including its other subsidiaries and affiliates, and Subsidiary shall have the right to request the other to perform reasonable services in their respective fields for the other and such work shall be compensated for at cost, including general and administrative expenses, plus six percent (6%). "Reasonable services", as described herein, shall not include such services, which if performed by 3i at the request of Subsidiary, would allow Subsidiary to obtain and perform contracts not otherwise includible in Subparagraph 15(a)(1) above.

(vi) Any cost savings benefiting 3i, its other subsidiaries or affiliates, and Subsidiary on account of any joint operations performed by them on any contract or other project shall be allocated as the parties to the joint operations may agree or, in the absence of any agreement, as the independent certified public accountants of 3i shall determine, and such determination shall be final and binding upon all of the parties affected.

(vii) Any monies advanced by 3i to Subsidiary, for working capital or otherwise, shall be advanced at an interest rate of one percent (1%) above the prime rate then being charged by The Fidelity Bank of Philadelphia. Subsidiary shall pay interest to 3i at such rate on 125% of the sum actually borrowed by Subsidiary from 3i.

(viii) The same rights which are given to Subsidiary in Subparagraph 15(a)(1) to perform all federal

government contracts obtained by 3i, its other subsidiaries or affiliates, shall be given by Subsidiary to 3i, its other subsidiaries or affiliates, with respect to all non-government contracts.

(b) Definition of "Pre-Tax Earnings of Subsidiary".

As used in this paragraph, "Pre-Tax Earnings of Subsidiary" shall mean the earnings of Subsidiary for each of the fiscal years 1970 and 1971 in excess of \$58,400, and shall be computed by such independent certified public accountants as are regularly employed by 3i at the time such determination is to be made, in accordance with generally accepted accounting principles consistently applied in a manner which will fully and accurately present the results of the operations of Subsidiary for the fiscal years indicated. In determining such "Pre-Tax Earnings", said accountants' computations will adhere to the following:

(i) Subsidiary's operations shall be deemed to be the business operations of the Corporation as the same existed the day before the Closing, and any extensions of such business operations which may subsequently be made by Subsidiary and 3i. If for any reason Subsidiary's operations should not be carried on in separate corporate form, 3i will nonetheless continue to account for Subsidiary's operations as a single, separate entity in such manner as to facilitate the computations required by this paragraph.

(ii) No allocation of general administrative cost and expenses of 3i shall be made to Subsidiary, except such as shall be directly attributable to the operation of Subsidiary's business, as a wholly-owned subsidiary of 3i;

(iii) All transactions and business dealings between Subsidiary and 3i and between Subsidiary and any other subsidiary or any division of 3i shall be accounted for at the rates normally charged to third parties for similar work or services;

(iv) If any cash is either taken out of the Subsidiary's operation or contributed by Subsidiary to 3i or its other subsidiaries, interest shall be charged thereon to the appropriate party at the prime rate then being charged by The Fidelity Bank, Philadelphia, Pennsylvania, on corporate loans;

(v) Subsidiary's assets will be depreciated on a straight line basis, regardless of the manner in which depreciation is treated for tax purposes;

(vi) The basis of Subsidiary's assets will not be stepped up for book purposes, regardless of whether such assets are stepped up for federal tax purposes;

(vii) The salary and all other benefits paid to S. Sim Kessler pursuant to his employment contract attached hereto as Exhibit "F" and to all other employees of Subsidiary shall be deducted as part of the cost of Subsidiary's business operations;

(viii) Pre-tax earnings shall be computed after payment or provision for payment of all taxes, Federal, state and local, has been made except for the payment of Federal Income Taxes.

All determinations made by 3i's independent certified public accountants in the computation of Pre-tax earnings

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(c) Payment of Additional Consideration by 31.

On or before October 31, 1971, Subsidiary will cause to be issued and/or transferred to Kessler and the other shareholders of Corporation, pro rata, subject to the provisions of Subparagraph 15(e) below, that number of additional shares of 31 Stock (valued as provided in Subparagraph 15(d) below) which shall be equal to ten (10) times the average Pre-Tax Earnings of Subsidiary for the fiscal years 1970 and 1971, as determined by 31's accountants. Notwithstanding the above, in no event shall 31 transfer to the former shareholders of Corporation, pursuant thereto more than 44,800 additional shares of 31 Stock (not counting the shares held in escrow), unless there has occurred, in such period, a stock split, subdivision, stock dividend or recapitalization affecting the 31 Stock, in which event the number of shares issuable hereunder shall be proportionately adjusted to make full allowance for such stock split, subdivision, stock dividend or recapitalization.

(d) Value of 31 Stock. The 31 Stock to be issued and delivered to Kessler and Corporation's other shareholders pursuant to Subparagraph 15(c) above shall be valued at the average closing price of such stock on the national securities exchange on which it is traded, or if it is not so traded, at the average of the high Bid and low Asked price of the 31 Stock on the over-the-counter market (as determined by the average of all such prices quoted in the "pink sheets") in the twenty (20) trading sessions immediately prior to the date of their delivery hereunder during which transactions in the 31 Stock occurred in such market.

(e) Shares Held in Escrow. 31 shall have no obligation to issue and deliver to Kessler or other share-

holders of Corporation additional shares of 31 Stock pursuant to Subparagraph 15(c) above unless and until they are entitled to receive thereunder, and Escrow Agent has therefore duly redelivered to them, all of the shares held in escrow; however such shares as are redelivered from escrow by the Escrow Agent to Kessler or other shareholders of Corporation shall not be counted against the specified maximum for Additional Shares of 31 Stock issuable, contained in Subparagraph 15(c). In the event that no Additional Shares are issuable under the terms of Subparagraph 15(c) or that the number of shares to be issued thereunder is less than the total number of shares held in escrow, such shares, or the part not to be redelivered, shall be transferred by the Escrow Agent to 31, and Kessler and the other shareholders of Corporation shall have no further rights with regard to such shares, including without limitation any rights to possession or ownership, the right to vote such shares and to receive dividends thereon. In such case, 31 shall have no obligation to issue any further shares to Kessler or Corporation's other shareholders pursuant hereto.

(f) Acquisition of Subsidiary - Escrow of Stock.

If, prior to the time Kessler and Corporation's other shareholders receive any additional 31 Stock to which they may be entitled hereunder, 31 determines to merge into, consolidate with or otherwise enter into a plan of reorganization with any other corporation, or proposes a plan of recapitalization pursuant to which Kessler and the Corporation's other shareholders may receive additional payments of 31 Stock in the form of securities of such other corporation, or securities of 31 other than 31 Stock, 31 will not consummate such reorganization or recapitalization without the consent of Kessler

without (a) first having obtained a ruling of the Internal Revenue Service or an opinion, in form and substance satisfactory to Kessler, or counsel satisfactory to Kessler, to the effect that the receipt by the Corporation's shareholders of such securities will not be a taxable transaction to them, or (b) first deliver to Kessler certificates for the maximum number of shares of 3i Stock as set forth in Subparagraph 15(c) which could conceivably be due to all of Corporation's shareholders under this Agreement, but not theretofore issued and delivered to them, whereupon such certificates shall be delivered by Kessler to the Escrow Agent, duly endorsed in blank by Kessler or accompanied by irrevocable stock powers endorsed in blank, with the customary signature guarantees required by Escrow Agent, such shares of 3i Stock to be held by the Escrow Agent in escrow and delivered to the Corporation's shareholders at such time and in such number as provided for by Subparagraph 15(c) above, and thereafter the balance of such shares to 3i.

In the event that securities of such other corporation are substituted for the shares of 3i Stock, the number of shares to be delivered to the Corporation's shareholders by Escrow Agent shall be determined by and based upon the rate of exchange of such shares for shares of 3i Stock as provided in the plan of merger or reorganization or the recapitalization. If any such shares of 3i Stock (or any substituted stock of such other corporation) are placed in escrow, the Corporation's shareholders shall have the same rights with regard to such stock as provided for in Subparagraphs 14(b), 14(c) and 15(c) above.

16. Further Assurances. Corporation and Kessler agree to execute and deliver all such other instruments and take all such other action as 3i may reasonably request from time to time in order to effectuate the transactions provided for herein. The parties shall cooperate fully with each other and with their respective counsel and accountants as to the taking of any steps required to be taken as part of their respective obligations under this Agreement, including the preparation of financial statements.

17. Restrictive Covenant.

(a) Duration and Extent of Restriction. For a period of ~~seven~~ ^{five (5)} years following the Closing hereunder, Kessler will not, directly or indirectly, at any place within the continental United States, as a principal, partner, director, officer, agent, employee, consultant or otherwise, engage in (except on behalf of 3i) or be financially interested in any business which is engaged in any activities relating to literature surveillance; publication of secondary medical, scientific, technical and educational abstracts, journals or indexes; medical, scientific, technical or educational documentation, including abstracting, indexing, translating and literature searching; or in any other activities or operations carried on by Subsidiary, its parent, affiliates, sister corporations or a subsidiary at any time during such ~~seven~~ ^{five}-year period, or planned or contemplated by Subsidiary, its parent, affiliates, sister corporations or subsidiaries at the termination of such ~~seven~~ ^{five}-year period; or in the rendering of assistance or advice to others who are engaged in such business. This restrictive covenant shall be applicable to Kessler's activities

for and on behalf of MLI, as well as for any other corporation, partnership or other business, except for negotiations for past contracts and a present contract with the National Library of Medicine and those conducted pursuant to the Management Agreement. Nothing in the foregoing shall be deemed, however, to prevent Kessler from owning securities of 3i, or of any other publicly-owned corporation engaged in any such business, provided that the total amount of securities of each class owned by Kessler in such other publicly-owned corporation does not exceed one percent (1%) of the outstanding securities of such class.

(b) Remedies for Breach. Kessler acknowledges that the restriction contained in Subparagraph 17(a) above is reasonable and necessary in order to protect 3i's and Subsidiary's legitimate interests and that any violation thereof would result in irreparable injury to 3i and Subsidiary. Kessler therefore acknowledges and agrees that, in the event of any violation thereof, 3i and Subsidiary, or either of them, shall be authorized and entitled to obtain, from any court of competent jurisdiction, preliminary and permanent injunctive relief as well as an equitable accounting of all profits or benefits arising out of such violation, which rights and remedies shall be cumulative and in addition to any other rights or remedies to which 3i or Subsidiary may be entitled. In the event that Subparagraph 17(a) above is held to be in any respect an unreasonable restriction upon Kessler, then the court so holding may reduce the territory to which it pertains and/or the period of time during which it operates, or effect any other change to the extent necessary to render such subparagraph enforceable.

(c) Extension of Restriction. In the event of any breach or violation of the restriction contained in Subparagraph 17(a) above, the period therein specified shall abate during the time of any violation thereof and that portion remaining at the time of commencement of any violation shall not begin to run until such violation has been fully and finally cured; provided, however, that there shall be no abatement, as provided herein, if 3i or Subsidiary fails or neglects to commence an action for breach or violation of such restriction within ^{Five 5} ~~seven (7)~~ years from the date of Closing. C

18. No Brokerage Commissions.

(a) Representation and Warranty of Corporation to 3i. Corporation represents and warrants to 3i that there is no corporation, firm or person entitled to require from either of them any brokerage commission or finder's fee in connection with this Agreement or the transaction provided for herein on account of any action, agreement or representation made to any person by it or on its behalf.

(b) Representation and Warranty of 3i to Corporation. 3i represents and warrants to Corporation that there is no corporation, firm or person entitled to require from either of them any brokerage commission or finder's fee in connection with this Agreement or the transaction provided for herein on account of any action, agreement or representation made to any person by it or on its behalf.

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19. Notices. Any notice or other communication to any party pursuant to or relating to this Agreement and the transaction provided for herein shall be deemed to have been given or delivered when deposited in the United States Mail, registered or certified and with proper postage and registration or certification fees prepaid, addressed to the parties for whom intended as follows:

If to 31:

31 Company-Information Interscience Incorporated
2101 Walnut Street
Philadelphia, Pennsylvania 19107
Attention: Gerald L. Brodsky, President

with a copy to:

Allan H. Reuben, Esquire
Wolf, Block, Schorr and Solis-Cohen
Twelfth Floor, Packard Building
Philadelphia, Pennsylvania 19102

If to Corporation:

Scientific Literature Consultants, Inc.
37 S. 20th Street
Philadelphia, Pennsylvania 19103
Attention: S. Sim Kessler, President

with a copy to:

Barton J. Winokur, Esquire
Dechert, Price and Rhoads
Sixteenth Floor
Three Penn Center Plaza
Philadelphia, Pennsylvania 19102

or to such other address as the party to be given such notice may designate by written notice to the other parties hereto in the manner above provided.

20. General.

(a) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

(b) Entire Agreement. This Agreement sets forth all the promises, covenants, agreements, conditions and understandings between the parties hereto, and supersedes all prior and contemporaneous agreements and understandings, inducements or conditions, express or implied, oral or written, except as herein-contained. This Agreement may not be modified other than by an agreement in writing.

(c) Indulgences Not Waivers. No indulgences extended by any party hereto to any other party shall be construed as a waiver of any breach on the part of such other party, nor shall any waiver of one breach be construed as a waiver of any rights or remedies with respect to any subsequent breach.

(d) Controlling Law. This Agreement, its interpretation, performance and the rights and remedies of the parties hereto, shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

(e) Costs. Each party hereto shall bear its or his own costs, including counsel and accounting fees, in-

curring in connection with the negotiation, preparation, and closing of this Agreement, and all matters incident thereto.

(f) Titles Not to Affect Interpretation.

The titles of paragraphs and subparagraphs contained in this Agreement are inserted for convenience of reference only, and they neither form a part of this Agreement nor are to be used in the construction or interpretation thereof.

(g) Arbitration. Any dispute or controversy arising under, out of, in connection with, or in relation to this Agreement and any amendments thereto or any of the transactions contemplated hereby shall be determined and settled by arbitration in Philadelphia, Pennsylvania, pursuant to the rules of the American Arbitration Association then in force, and subject to the provisions of the Pennsylvania Arbitration Act of 1927, P.L. 381, as amended.

(h) Gender, etc. As used herein, the masculine gender shall be deemed to include the feminine and the neuter; the singular shall be deemed to include the plural, and vice versa.

IN WITNESS WHEREOF, the corporate parties have caused this Agreement to be executed and attested by their respective duly authorized officers and their respective corporate

seals affixed, and the individual parties have hereunto set their hands and seals, the day and year first above written.

3I COMPANY-INFORMATION INTERSCIENCE
INCORPORATED

Attest:

William H. Kessler
Secretary

By: Harry Clark
Executive Vice President

[Corporate Seal]

SCIENTIFIC LITERATURE CORPORATION

Attest:

William H. Kessler
Secretary

By: Harry Clark
Executive Vice President

[Corporate Seal]

SCIENTIFIC LITERATURE CONSULTANTS, INC

Attest:

Gebaldine Kessler
Secretary

By: S. Sim Kessler
President

[Corporate Seal]

Witnesses:

Betty Anderson

S. Sim Kessler (SEAL)
S. Sim Kessler

Betty Anderson

Gebaldine Kessler (SEAL)
Gebaldine Kessler

LIST OF EXHIBITS

<u>Exhibit</u>	<u>Content</u>	<u>Paragraph references</u>
A	Financial Statement	1, 4(b)
B	Personal Property not owned by Corporation	4(f)
C	Insurance Policies	4(h)
D	Management Agreement	4(j), 4(k), 4(l), 4(u), 4(v), 4(w), 8(f), 10(b)(iv), 17(a)
E	Employee Benefit Program	4(k)
F	Employment Contract of Kessler	4(k), 4(o), 4(t), 8(i), 15(b)(vii)
G	Adverse Change to Corporation	4(r)
H	General opinion of Dechert, Price and Rhoads	10(b)(viii)
I	Securities Act opinion of Dechert, Price and Rhoads	10(b)(viii)

THIS AMENDMENT modifies and amends, to the extent indicated herein, the Agreement and Plan of Reorganization (the "Agreement") dated April 25, 1969 by and among 3i COMPANY - INFORMATION INTERSCIENCE INCORPORATED, a Pennsylvania corporation (hereinafter called "3i"), SCIENTIFIC LITERATURE CORPORATION, a Pennsylvania corporation (hereinafter called Subsidiary") and SCIENTIFIC LITERATURE CONSULTANTS, INC., a Pennsylvania corporation (hereinafter called "Corporation"), and S. SIM and GERALDINE KESSLER.

W I T N E S S E T H

WHEREAS, Corporation was merged with and into Subsidiary as of April 30, 1969 pursuant to the Agreement; and

WHEREAS, the parties now wish to effect certain amendments and modifications to the Agreement for their mutual benefit: NOW, THEREFORE, in consideration of the premises and the mutual covenants hereafter set forth, parties hereto, intending to be legally bound hereby, agree as follows:

1. Modification of Definition of "Pre-Tax Earnings of Subsidiary." The first clause of Subparagraph 15(b) of the Agreement shall be modified to read as follows: "As used in this paragraph, "Pre-Tax Earnings of Subsidiary" shall mean the earnings of Subsidiary in excess of \$58,400 for the period February 1, 1969 through June 30, 1970 and for its fiscal year 1971...." Whenever the term "fiscal year 1970" is used in the Agreement in relation to Subsidiary, it shall be deemed to refer to the period from February 1, 1969 through June 30, 1970.

2. Accounting Method to be Used by 3i's Accountants. In determining the "Pre-Tax Earnings of Subsidiary," in accordance with the Agreement, 3i's regularly employed independent certified public accounts shall use an accrual method of accounting whereby the estimated contract value (costs incurred and the estimated

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accounting period is accrued as income on a percentage of completion basis. The parties acknowledge that, as a result of 3i's use of this accounting method, no inventory account will be maintained for Subsidiary.

3. Further Agreements by S. Sim Kessler. In consideration for 3i's agreement to the above modifications to the Agreement, Kessler will supply and will continue to supply to 3i and its accountants the information requested by it in a letter dated September 5, 1969 sent to Sim Kessler by Henry Clark, Executive Vice President of 3i.

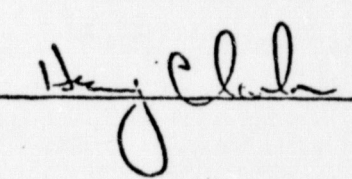
IN WITNESS WHEREOF, the corporate parties have caused this Supplemental Agreement to be executed and attested by their respective duly authorized officers and their respective corporate seals affixed and the individual parties have hereunder to set their hands and seals this _____ day of October, 1969.

3i COMPANY-INFORMATION
INTERSCIENCE INCORPORATED

Attest:



(Corporate Seal)

By: 

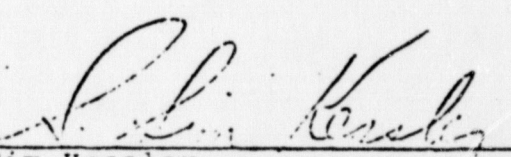
SCIENTIFIC LITERATURE CORPORATION

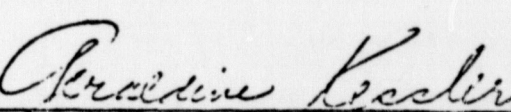
Attest:

(Corporate Seal)

Witnesses:

By: 

 (SEAL)
S. Sim Kessler

 (SEAL)
Geraldine Kessler

PREPARED BY WAT. (U)
DATE 11-1-70

CLIENT NO. 89680

Consolidating PRVIT GROSS STATEMENT

	P.C.	T.H.S.E.	Gross	Syndicate	TOTAL	CONSOLIDATION		6-30-70
						ADJUSTMENTS	EXPLANATIONS	ADJUSTED TOTALS
SALES	<13,176>	<4,441>	<1,441>		<13,176>			<14,017>
NET OF SALES	7,227	1,441	1,441		1,441			1,257
SELLING EXPENSES	5,739	1,441	1,441		5,739			5,739
NET OPERATING INCOME	<3,201>	<1,441>	<1,441>		<4,157>			<4,357>
OTHER INCOME	<1,441>	<1,441>			<1,441>			<2,337>
NET INCOME								
PERSONAL INCOME TAX								
NET TAXABLE INCOME	<2,337>	<1,441>	<1,441>		<2,337>			<4,014>
NET TAX	3,853	<1,441>	<1,441>		<6,122>			<5,557>
NET INCOME	3,853	<1,441>	<1,441>		<2,337>			<5,557>
TOTAL								

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SECOND AMENDMENT

THIS SECOND AMENDMENT made this ~~2nd~~^{11th} day of ~~October~~^{November}, 1970 to an Agreement and Plan of Reorganization, dated April 25, 1969 and amended on October 21, 1969 (hereinafter called the "Agreement"), by and among 3i COMPANY - INFORMATION INTERSCIENCE INCORPORATED, a Pennsylvania corporation (therein and hereinafter called "3i"), SCIENTIFIC LITERATURE CORPORATION, a Pennsylvania corporation and a wholly owned subsidiary of 3i (therein and hereinafter called "Subsidiary"), SCIENTIFIC LITERATURE CONSULTANTS, INC., a Pennsylvania corporation (therein and hereinafter called "Corporation") and S. SIM AND GERALDINE KESSLER (therein and hereinafter individually and collectively called "Kessler").

W I T N E S S E T H :

Pursuant to the terms of the Agreement, Corporation was merged with and into Subsidiary. Subsidiary has succeeded to all of the business and activities of Corporation and has continued to be managed by Kessler since the date of such merger.

32,000 shares of the Common Stock, Class A, par value \$.10 per share of 3i (hereinafter called "3i Stock") were issued to the shareholders of Corporation at the closing under the Agreement and 12,800 shares were held in an escrow fund pending Subsidiary's achieving certain earnings during the period of its operations from the date of the merger through June 30, 1971. In addition, the shareholders of Corporation might become entitled to receive, under the terms of Paragraph 15 of the Agreement, up to 44,800 additional shares of 3i Stock dependent upon Subsidiary's earning record

The operations of Subsidiary from the date of the merger up until the date hereof have satisfied the parties that Subsidiary will achieve the necessary earnings to entitle the former shareholders of Corporation to receive the maximum number of additional shares and that it is now in the best business interests of the parties to combine the operations of Subsidiary with some of those of 3i. The parties therefore desire to terminate the escrow of the 12,800 shares and to issue all of the additional 44,800 shares to which former shareholders of Corporation might become entitled under the terms of the Agreement simultaneously with the execution of this Amendment, provided, however, that certain restrictions will be placed upon the transfer of the shares issued to comply with pooling of interest requirements, as contained in Paragraph 13 of the Agreement, and for other purposes of the parties.

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants contained herein and in the Agreement, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Amendment to Paragraph 13.

(a) Amendment of Provisions. Paragraph 13 of the Agreement shall hereby be amended in the following respects:

(i) The legend on the share certificates for 1,188 and 4,806 shares respectively, described in subparagraphs 13(a)(iii) and 13(b)(i) restricting their transfer prior to May 1, 1971, shall be removed and of no further force or effect;

(ii) The legend on the share certificates for 4,806 shares described in subparagraph 13(b)(ii) restricting their transfer prior to January 1, 1972 shall be modified so as to restrict their transfer prior to January 1, 1971;

(iii) the legends on the stock certificates covering the shares of 3i Stock described in subparagraph 13(b) (iii) restricting their transfer prior to January 1, 1973 shall be modified so as to restrict the transfer of 3,400 shares prior to January 1, 1971, and the remaining 9,400 shares prior to June 1, 1971;

(iv) Subparagraphs 13(b) (iv), 13(b) (v) and 13(b) (vi) shall be deleted.

(b) New Legends. The parties shall deliver or cause to be delivered to The Fidelity Bank, Transfer Agent for the 3i Stock, all certificates for shares of 3i Stock on which the legends are to be modified or deleted, as provided in subparagraph (a) above. Upon the Transfer Agent's making the necessary changes, 3i will cause the Transfer Agent to redeliver the share certificates to the persons entitled to receive them under the terms of the Agreement and this Second Amendment.

2. Amendment of Paragraph 14. Paragraph 14 of the Agreement shall be deleted. All shares presently held by The Fidelity Bank, as escrow agent, under paragraph 14 shall be delivered to the registered owners thereof and The Fidelity Bank shall be relieved of all duties and obligations thereunder. Each of the parties will, at the request of The Fidelity Bank, execute such releases or other documents as the Bank may reasonably request in order to have the shares held by it released from the escrow fund. Any refund of monies paid to the Bank for its services as an escrow agent shall be paid to 3i.

3. Amendment of Paragraph 15. Paragraph 15 shall in all respects be rendered null and void and all conditions, restrictions and provisions of that paragraph shall be of no further force or effect. Instead, Paragraph 15 of the Agreement shall read as follows:

"15. Additional Consideration.

(a) Additional Shares. In addition to the shares of 3i Stock issued and delivered to the shareholders of Corporation at the closing under the Agreement, such persons shall receive an additional 44,800 shares of 3i Stock at the time of execution of this Amendment on account of the operations of Subsidiary since the closing under the Agreement as follows:

(i) certificates for 4,928 shares shall be registered in the names of the shareholders of Corporation, other than Kessler, in accordance with their respective interests and shall bear the following legend:

"The shares represented by this certificate are subject to the terms and provisions of an Agreement and Plan of Reorganization by and among the issuer and certain other persons, dated April 25, 1969, as amended, and may not be transferred prior to June 1, 1971."

(ii) the remaining certificates shall be registered in the name of Kessler and shall be legended as follows:

(A) certificates for 1,472 shares shall bear a legend identical to that stated in subparagraph (i) above.

(B) certificates for 13,000 shares shall bear the following legend:

"The shares represented by this certificate are subject to the terms and provisions of an Agreement and Plan of Reorganization by and among the issuer and certain other persons, dated April 25, 1969, as amended, and may not be transferred prior to January 1, 1972."

(C) certificates for 13,000 shares shall bear the following legend:

"The shares represented by this certificate are subject to the terms and provisions of an Agreement and Plan of Reorganization by and among the issuer and certain other persons, dated April 25, 1969, as amended, and may not be transferred prior to June 1, 1972."

(D) certificates for 12,400 shares shall bear the following legend:

"The shares represented by this certificate are subject to the terms and provisions of an Agreement and Plan of Reorganization by and among the issuer and certain other persons, dated April 25, 1969, as amended, and may not be transferred prior to January 1, 1973."

(b) Creation of Escrow. The shares under the terms of this Paragraph 15 shall be delivered to the firm of Wolf, Block, Schorr and Solis-Cohen, attorneys for 3i, as escrow agents. Such firm shall hold each share certificate until such time as the restriction stated in the legend contained thereon shall have expired. At such time, such firm shall be required to deliver the certificate to its registered owner. While such certificates are held in escrow, the registered owners thereof shall have the unlimited right to receive dividends upon such shares and to vote such shares or give proxies thereon on all matters presented to the stockholders of 3i. In the event of a stock split, stock dividend or other reclassification or recapitalization of 3i Stock; all shares or other securities received by the registered holders for or on account of such shares shall bear legends identical to the legends provided herein to be placed escrowed certificates, and any such securities shall be

delivered to and held by the escrow agent named herein, and delivered to their respective registered owners at the same time as, or instead of, the shares on account of which they were issued.

(c) Indemnification of Escrow Agent. Each of the parties hereto shall indemnify the escrow agent named herein and hold it harmless of, from and on account of all suits, actions, proceedings, liabilities, obligations, costs and expenses (including reasonable attorneys' fees) incurred by it in connection with its duties as escrow agent hereunder. In the event of a dispute or conflicting claims among the parties with respect to any of the escrowed shares, the escrow agent shall be authorized to deliver to any court of competent jurisdiction located in the City or County of Philadelphia, Pennsylvania any shares which are the subject of such dispute or conflicting claims, and such shares shall be dealt with in accordance with the determination of such court. Each of the parties hereto agrees to submit personally to the jurisdiction of such court for the adjudication of any such claim or dispute. Kessler, for himself, his wife and the other former shareholders of Corporation, hereby irrevocably appoints Barton Winokur, Esquire and 3i and Subsidiary hereby irrevocably appoint Allan H. Reuben, Esquire, as their and each of their respective agents for the acceptance of service of process in any suit arising out of any claim or dispute contemplated herein. In the event of any claim or dispute, the escrow agent shall not be liable for refusing to deliver any shares hereunder except upon and in accordance with a judicial determination.

4. Summary of Restrictions. For the convenience of the parties, the following table sets forth the aggregate number of shares of 3i Stock to be now subject to restriction, the registered owners and the dates such shares shall be released from the restrictions set forth in the Agreement, as amended hereby, and which shares shall be held in escrow, are as set forth in the following table:

<u>Date of Release</u>	<u>No. of Shares</u>	<u>Registered Owner</u>	<u>Escrow</u>
January 1, 1971	8,206	Kessler	No
June 1, 1971	9,400	Kessler	No
June 1, 1971	4,928	Other former shareholders	Yes
June 1, 1971	1,472	Kessler	Yes
January 1, 1972	13,000	Kessler	Yes
June 1, 1972	13,000	Kessler	Yes
January 1, 1973	12,400	Kessler	Yes

5. Operation of Subsidiary. The parties acknowledge that Paragraph 15 of the Agreement, as initially written, contained an "earn-out" provision whereby the former shareholders of Corporation would receive additional shares of 3i Stock, up to 44,800, dependent on the earnings of Subsidiary, as managed by S. Sim Kessler, through June 30, 1971 under the terms and provisions contained therein. Under the terms of the new Paragraph 15, as contained in this Amendment, all 44,800 shares which might have been issued to the former shareholders of Corporation are being so issued, subject to certain restrictions on the transfer of those shares, as specified above. Thus, the parties acknowledge that there is no further necessity under said Agreement for S. Sim Kessler to either conduct the operations of Subsidiary

or to devote those of 3i or its other subsidiaries or to devote

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all or any of his time and attention to the operations of Subsidiary, so long as the sole stockholder of Subsidiary does not object. It shall therefore be agreed that, upon 3i's request, the operations of Subsidiary shall be moved, as promptly as possible, to 3i's main offices at 2101 Walnut Street, Philadelphia, Pennsylvania or to such other address as 3i may from time to time designate. S. Sim Kessler further agrees to undertake, manage or participate in projects for Subsidiary, 3i, or any other subsidiary or affiliate of 3i, as 3i may from time to time reasonably request during the period of his employment with Subsidiary. To the extent that 3i or any entity other than Subsidiary pays salary to Kessler for his activities on its behalf, such payments shall be pro tanto a discharge of the obligation of Subsidiary under Kessler's employment contract, dated February 1, 1969, attached to the Agreement as Exhibit "F". To the extent that any of the provisions of the aforementioned employment contract conflict with the provisions of this paragraph, this paragraph shall be considered to take precedence. S. Sim Kessler's or Subsidiary's performance in accordance herewith shall not constitute a breach of such employment contract or permit the other party thereto to terminate such contract or obtain damages therefor.

6. No other Amendments. Except as specifically provided herein, the Agreement, as previously amended, shall be unaffected by this Second Amendment, and all provisions and conditions thereof shall remain in full force and effect.

IN WITNESS WHEREOF, the corporate parties have caused this Second Amendment to be executed and attested by their respective duly authorized officers and their respective corporate seals affixed, and the individual parties have hereunto set their hands and seals, the day and year first above written.

3I COMPANY-INFORMATION INTERSCIENCE
INCORPORATED

Attest:

M. W. Todd
Secretary

By:

[Signature]
President

[Corporate Seal]

SCIENTIFIC LITERATURE CORPORATION

Attest:

M. W. Todd
Secretary

By:

S. Sim Kessler
President

[Corporate Seal]

Witnesses:

Joseph M. Lacey

S. Sim Kessler (SEAL)
S. Sim Kessler

Ann Ellen Butler

Geraldine Kessler (SEAL)
Geraldine Kessler

Joseph M. Lacey

S. Sim Kessler (SEAL)
S. Sim Kessler, as attorney-in-fact for all former stockholders of Scientific Literature Consultants, Inc.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
ROBERT R. FELTON,

Plaintiff,

-against-

WALSTON AND CO., INC., et al.,

Defendants.
-----X

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:
: 73 CIV 2200 DBB
:
:

: AFFIDAVIT OF SERVICE
:
:

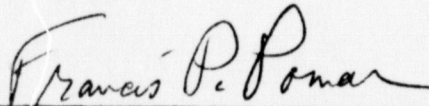
STATE OF NEW YORK)

: ss.:

COUNTY OF NEW YORK)

FRANCIS P. POMAR, being duly sworn, deposes and says that he is employed by the law firm of Kaye, Scholer, Fierman, Hays & Handler, is over the age of twenty-one years and is not a party to this action.

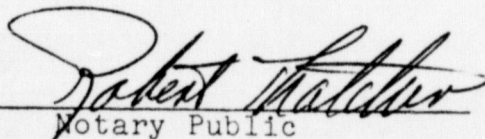
1. That on the 2nd day of November, 1973, deponent served true copies of Notice of Motion, Memorandum of Law in Support and Exhibits in Support of Motion for Summary Judgment by defendant Main LaFrentz, annexed hereto, upon Robert R. Felton, Esq., 42 Third Avenue, Mineola, New York, New York 11501, by personally delivering to and leaving same with him at that address.



Francis P. Pomar

Sworn to before me this

2nd day of November, 1973


Notary Public

ROBERT THATCHER
Notary Public, State of New York
No. 9310325
Qualified in Kings County
Certificate filed in New York County
Commission Expires March 30

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----x
ROBERT R. FELTON,

Plaintiffs,

-against-

WALSTON AND CO., INC., et al.,

Defendants.

:
:
: 73 Civ. 2200 DBB
:
:

: AFFIDAVIT OF SERVICE
:
:

STATE OF NEW YORK)
: ss.:
COUNTY OF NEW YORK)

GERARD KRAUSE, being duly sworn, deposes and says that he is employed by the law firm of Kaye, Scholer, Fierman, Hays & Handler, is over the age of twenty-one years, is not a party to this action, and is a New York City licensed Process Server, License No. 720771.

1. On the 2nd day of November, 1973, deponent served true copies of Notice of Motion, Memorandum of Law in Support and Exhibits in Support of Motion for Summary Judgment by defendant Main LaFrentz, annexed hereto, upon the following firms by personally delivering to and leaving same with them at their address:

Breed Abbot & Morgan, Esqs.
One Chase Manhattan Plaza
New York, New York 10005

Sullivan & Cromwell, Esqs.
48 Wall Street
New York, New York 10005

Leon Weill & Mahoney, Esqs.
261 Madison Avenue
New York, New York 10016

Shea Gould Climenko &
Kramer, Esqs.
330 Madison Avenue
New York, New York 10017

Anderson Russell & Kill, Esqs.
600 Fifth Avenue
New York, New York 10020

Gerard Krause
Gerard Krause

Sworn to before me this
2nd day of November, 1973

Robert R. Felton
Notary Public